

<p style="text-align: right;">98</p> <p>1 John Edmonds</p> <p>2 Q. Did you ever -- after obtaining the</p> <p>3 report marked as Defendants' Exhibit No. 4, did</p> <p>4 you ever share that report with the Seaveys or</p> <p>5 anyone else from Dalton Management?</p> <p>6 A. I don't recall whether I did or not.</p> <p>7 (Witness peruses the exhibit.)</p> <p>8 A. I might have spoken to Bob and said</p> <p>9 to him that -- you know, that my accountants are</p> <p>10 having a very difficult time with Phyllis and</p> <p>11 Dalton, getting information so that they can</p> <p>12 complete their audit.</p> <p>13 Q. Did you ever discuss with either the</p> <p>14 Seaveys or anyone else from Dalton the</p> <p>15 information contained in the report dated</p> <p>16 12/12/2007?</p> <p>17 A. I think I did.</p> <p>18 Q. What did you discuss with them?</p> <p>19 A. That -- that this account reflects</p> <p>20 what their auditing approach has found thus far.</p> <p>21 Q. Do you recall whether or not you</p> <p>22 actually presented them with a copy of the</p> <p>23 report?</p> <p>24 A. I think I may have given it to Bob.</p> <p>25 I'm not sure.</p>	<p style="text-align: right;">100</p> <p>1 John Edmonds</p> <p>2 finish my question, just for the record. I</p> <p>3 understand that you know what I'm going to ask,</p> <p>4 but my question is, before filing this lawsuit,</p> <p>5 did you ask anyone else on your behalf to sit</p> <p>6 down with the Seaveys to discuss the findings</p> <p>7 enumerated in Defendants' Exhibit No. 4?</p> <p>8 A. I may have discussed it with Mel.</p> <p>9 And I think the position was that, you know,</p> <p>10 you're not going to get anything positive from</p> <p>11 the Seaveys, so why bother?</p> <p>12 Q. What about with anyone from Dalton;</p> <p>13 did you or any agent of yours discuss this with</p> <p>14 anyone else from Dalton?</p> <p>15 A. When I would call, I would call on</p> <p>16 104. And Dawley's on 103. He would generally</p> <p>17 end up with a call. And he was always -- to him</p> <p>18 it was a source of great humor. He was always</p> <p>19 laughing. Oh, John, in other words, what are you</p> <p>20 bothering us about again kind of thing.</p> <p>21 And so --</p> <p>22 Q. So your answer is you didn't discuss</p> <p>23 it with anyone from --</p> <p>24 A. No.</p> <p>25 Q. How about with anyone from Marks</p>
<p style="text-align: right;">99</p> <p>1 John Edmonds</p> <p>2 Q. Did you ever share or discuss this</p> <p>3 report with anyone from Marks Paneth & Shron?</p> <p>4 A. I have no recollection of that.</p> <p>5 Q. Before commencing this lawsuit, did</p> <p>6 you or Cameron Griffiths & Pryce ever attempt to</p> <p>7 sit down with either Mel or let's start even sit down</p> <p>8 with the Seaveys to discuss the issues concerned</p> <p>9 in Defendants' Exhibit No. 4 to see if there was</p> <p>10 an explanation or if they could be fixed?</p> <p>11 A. I testified earlier that Phyllis</p> <p>12 threatened to have me arrested if I came to that</p> <p>13 office to -- to have any discussion about Dalton</p> <p>14 and its management of the properties.</p> <p>15 Q. So is then your answer to my</p> <p>16 previous question no?</p> <p>17 A. The answer is what I gave. So no, I</p> <p>18 have not been back there because I don't want to</p> <p>19 suffer further insults. I'm a very sensitive</p> <p>20 guy.</p> <p>21 Q. Have you ever asked anyone else on</p> <p>22 your behalf to discuss this document with the</p> <p>23 Seaveys to determine whether or not --</p> <p>24 A. I have counsel and --</p> <p>25 Q. Mr. Edmonds, you have to let me</p>	<p style="text-align: right;">101</p> <p>1 John Edmonds</p> <p>2 Paneth & Shron; did you or anyone on your behalf</p> <p>3 try to discuss the items contained in Defendants'</p> <p>4 Exhibit No. 4 with Marks Paneth & Shron to</p> <p>5 determine if there was an explanation behind the</p> <p>6 items?</p> <p>7 MR. HAYWOODE: Objection to form in</p> <p>8 the sense there are a series of letters</p> <p>9 from the accountants to Marks Paneth &</p> <p>10 Shron stating questions, which are in this</p> <p>11 record.</p> <p>12 Is your question directed to</p> <p>13 anything he might have said outside of that</p> <p>14 pattern, that sequence of communications,</p> <p>15 all of which is in the pleadings and all of</p> <p>16 which have been presented here?</p> <p>17 MR. TRAUB: Mr. Haywoode, again,</p> <p>18 your objection goes far beyond that that is</p> <p>19 allowed in Federal Rule 30.</p> <p>20 MR. HAYWOODE: Counsel's question is</p> <p>21 did he or anyone on his behalf ask these</p> <p>22 questions. And there are a series of</p> <p>23 documents from Cameron Pryce & Mitchell</p> <p>24 [sic] in the pleadings and presented to</p> <p>25 you, which raise the very question that I</p>

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<p style="text-align: right;">102</p> <p>1 John Edmonds</p> <p>2 understand you to be asking him.</p> <p>3 MR. TRAUB: Mel, your objection is</p> <p>4 now suggestive, which violates Federal</p> <p>5 Rule 30. So, Mel, I don't need a response</p> <p>6 from you.</p> <p>7 BY MR. TRAUB:</p> <p>8 Q. Mr. Edmonds, did you understand my</p> <p>9 question?</p> <p>10 A. Repeat it, please.</p> <p>11 Q. Did you or anyone on your behalf</p> <p>12 ever try to discuss Defendants' Exhibit No. 4</p> <p>13 with Marks Paneth & Shron?</p> <p>14 A. It may be that the accountants</p> <p>15 attempted to discuss it with them. But after I</p> <p>16 retained them, you know, I was not going to</p> <p>17 bother Jennings' office. Because there was</p> <p>18 another situation in which some charming lady</p> <p>19 would get on the phone and tell me that he was</p> <p>20 out on in California or whatever.</p> <p>21 Q. Turning to Defendants' Exhibit</p> <p>22 No. 4, have you actually sat down with Cameron</p> <p>23 Griffiths & Pryce and discussed all of the</p> <p>24 information contained in this letter?</p> <p>25 A. Well, the information contained in</p>	<p style="text-align: right;">104</p> <p>1 John Edmonds</p> <p>2 That would mean that it would be</p> <p>3 3 percent each. But Phyllis and Bob are those</p> <p>4 that decided to use this as -- that amount as a</p> <p>5 tax write-off, and so they keep it on the record.</p> <p>6 And I think every year they write it off rather</p> <p>7 than to pay -- pay me my \$91,000.</p> <p>8 Q. Do you have an understanding,</p> <p>9 though, that if the \$181,000 is paid, that you'll</p> <p>10 get \$90,500?</p> <p>11 A. I have an understanding that I'm a</p> <p>12 50 percent owner of the project and I would</p> <p>13 insist upon that.</p> <p>14 Q. So your issue, though, with respect</p> <p>15 to Item No. 1 is --</p> <p>16 A. Issue very simply is pay me my</p> <p>17 \$91,000.</p> <p>18 Q. In other words, you want -- you're</p> <p>19 not claiming that \$181,000 was not paid or was</p> <p>20 paid inappropriately, you're claiming that it</p> <p>21 remains on the books and records, but the \$90,500</p> <p>22 should be paid to you?</p> <p>23 A. The inappropriateness is the use of</p> <p>24 a fee that belongs to me. I don't care what they</p> <p>25 do with their 90 -- to benefit Dalton taxwise,</p>
<p style="text-align: right;">103</p> <p>1 John Edmonds</p> <p>2 the letter seems to me to be restricted to 2006.</p> <p>3 And if you're asking that question, the answer is</p> <p>4 yes, I've had oral discussions with them, as I've</p> <p>5 testified to several times this morning, at their</p> <p>6 office.</p> <p>7 Q. And so you understand, then, what is</p> <p>8 contained in this letter?</p> <p>9 A. Yes.</p> <p>10 Q. If you turn to the second page of</p> <p>11 their letter, the very first issue that they</p> <p>12 raise is that there's an accounts payable on the</p> <p>13 books and records of 181,000 as amount owing to</p> <p>14 Dalton Management.</p> <p>15 Do you see where I'm looking at?</p> <p>16 A. Which page is this?</p> <p>17 Q. It actually says page 2 at the</p> <p>18 bottom, and it's Issue No. 1.</p> <p>19 A. Uh-huh, yeah.</p> <p>20 Q. Are you familiar with this issue?</p> <p>21 A. Yes, it's the \$181,000 that are fees</p> <p>22 due the partners as a result of the 6 percent</p> <p>23 annual fee that you are entitled to if your</p> <p>24 project is running -- up and running and there</p> <p>25 are no major problems, et cetera.</p>	<p style="text-align: right;">105</p> <p>1 John Edmonds</p> <p>2 Dalton writes it off every year.</p> <p>3 Q. Have you made a demand for your</p> <p>4 portion --</p> <p>5 A. Several times.</p> <p>6 Q. -- of the \$181,000?</p> <p>7 A. Certainly.</p> <p>8 Q. Did you make it in writing?</p> <p>9 A. I don't know if I made it in writing</p> <p>10 or not. I made the demand several times, but one</p> <p>11 occasion or so I did make it in writing.</p> <p>12 Q. Who did you make the demand to?</p> <p>13 A. I think I sent a letter to Bob, a</p> <p>14 letter to Phyllis, a letter to Dalton Management</p> <p>15 and cc'd Avery and Nealle.</p> <p>16 Q. What was their response when you</p> <p>17 asked for this \$181,000?</p> <p>18 A. I didn't ask for the \$181,000.</p> <p>19 Q. Or for your portion -- sorry, you're</p> <p>20 right. For your half of the \$181,000.</p> <p>21 A. That -- the response is that the</p> <p>22 partnership has not agreed and the fee will</p> <p>23 remain a fee payable to Dalton until such time as</p> <p>24 the partnership decides that this fee should be</p> <p>25 paid.</p>

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<p style="text-align: right;">106</p> <p>1 John Edmonds</p> <p>2 Q. You were present at the deposition</p> <p>3 of Ron Dawley, were you not?</p> <p>4 A. Yes.</p> <p>5 Q. Have you reviewed the transcript of</p> <p>6 Mr. Dawley?</p> <p>7 A. No, I have not.</p> <p>8 Q. Do you recall Mr. Dawley's testimony</p> <p>9 about this \$181,000 when asked questions by your</p> <p>10 counsel, Mr. Haywoode?</p> <p>11 A. No.</p> <p>12 Q. If Mr. Dawley had testified that</p> <p>13 there was an agreement between the partners that</p> <p>14 if this money were to be paid, that it would be</p> <p>15 paid 50/50, 50 percent to you and 50 percent to</p> <p>16 the Seaveys as the other partners, but that you</p> <p>17 had insisted it remain on the books and</p> <p>18 records --</p> <p>19 A. If he testified to that, that's an</p> <p>20 absolute lie. So I don't want anything that</p> <p>21 belongs to me in the hands of the Seaveys.</p> <p>22 Q. So it's your position that this</p> <p>23 money is to be paid 50/50 to the partners and not</p> <p>24 remain on the books and records?</p> <p>25 A. That's correct.</p>	<p style="text-align: right;">108</p> <p>1 John Edmonds</p> <p>2 you see how the management response is kind of a</p> <p>3 subheading under Issue No. 1?</p> <p>4 A. The recommendation?</p> <p>5 Q. Under the recommendation, see where</p> <p>6 it says -- Issue No. 1, it says, "Accounts</p> <p>7 payable Logan Plaza Associates," and the</p> <p>8 subheading that says, "Observation" that has some</p> <p>9 language, "Background" has some statements,</p> <p>10 "Recommendation" has some statements, and then it</p> <p>11 says "Management response."</p> <p>12 Have you ever received any</p> <p>13 information to fill in this management response?</p> <p>14 A. Is that the statement -- the</p> <p>15 recommendation, "The management company should</p> <p>16 ensure the proper accounting records are kept.</p> <p>17 The auditor should verify that amounts listed in</p> <p>18 the accounts payable schedule is actually due to</p> <p>19 those vendors.</p> <p>20 "The 181,000 attributed to Dalton</p> <p>21 Management Company should be requested by the</p> <p>22 appropriate account to ensure that the future</p> <p>23 remittances are made to the appropriate vendor."</p> <p>24 Q. And then there's another subheading</p> <p>25 right under that and it says, "Management</p>
<p style="text-align: right;">107</p> <p>1 John Edmonds</p> <p>2 THE WITNESS: Bob, do you have a</p> <p>3 check for me today?</p> <p>4 Q. Turning to --</p> <p>5 MR. SEAVEY: I know where to get it</p> <p>6 for you, but I'll have to beat her up.</p> <p>7 MR. HAYWOODE: It's on the way.</p> <p>8 You'll lose that fight.</p> <p>9 THE WITNESS: I always do.</p> <p>10 BY MR. TRAUB:</p> <p>11 Q. Mr. Edmonds, if you look actually</p> <p>12 under the subheadings under -- I guess we'll call</p> <p>13 it Issue No. 1 -- subheadings are observation,</p> <p>14 background, recommendation and then it says,</p> <p>15 "Management's response."</p> <p>16 Do you see where I'm looking? I'm</p> <p>17 back --</p> <p>18 MR. HAYWOODE: Page 2.</p> <p>19 MR. TRAUB: Page 2.</p> <p>20 MR. HAYWOODE: You're on page 2,</p> <p>21 Darren, and you're looking at management</p> <p>22 response (indicating).</p> <p>23 A. I have page 2, "Management response</p> <p>24 to [sic] not used."</p> <p>25 Q. Above the "to [sic] not used," do</p>	<p style="text-align: right;">109</p> <p>1 John Edmonds</p> <p>2 response," and then there's nothing after that.</p> <p>3 A. That's correct.</p> <p>4 Q. Have you ever received any response</p> <p>5 from management to fill in this information?</p> <p>6 A. The response that I've testified to</p> <p>7 earlier, and that was that Phyllis told me</p> <p>8 that -- that this amount would remain on -- on</p> <p>9 the books and records of Dalton until there's --</p> <p>10 there was an agreement by both partners that</p> <p>11 respectfully [sic] that they should get their</p> <p>12 fees. And she said -- and Avery has not agreed.</p> <p>13 Q. Have you told Cameron Griffiths &</p> <p>14 Pryce about Miss Seavey's response that you just</p> <p>15 gave?</p> <p>16 A. Yes.</p> <p>17 Q. Do you have any understanding one</p> <p>18 way or the other that the \$181,000 was money owed</p> <p>19 to a former management company?</p> <p>20 A. I have an understanding that that</p> <p>21 \$181,000 is the fee passed over to Dalton from</p> <p>22 the former management company, which fee is a</p> <p>23 part of that 6 percent that the owners are</p> <p>24 entitled to get where the project is operating</p> <p>25 efficiently and above and beyond any obligations.</p>

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<p style="text-align: right;">110</p> <p>1 John Edmonds</p> <p>2 Q. Turning on to Number 3 and it says,</p> <p>3 "Management fees." You see where I'm looking --</p> <p>4 A. Yes.</p> <p>5 Q. -- kind of the bottom part of</p> <p>6 page 2?</p> <p>7 A. Yeah.</p> <p>8 Q. And the issue raised in there is</p> <p>9 that Dalton Management paid itself fees that are</p> <p>10 called overages totaling \$64,052 for the three</p> <p>11 years, 2006, 2005, and 2004.</p> <p>12 Do you see where I'm reading?</p> <p>13 A. Yeah.</p> <p>14 Q. Do you agree with that statement?</p> <p>15 A. I can't agree with it. They got the</p> <p>16 books and records. How can I -- I don't know</p> <p>17 what --</p> <p>18 Q. Do you have any reason to doubt your</p> <p>19 auditor's statements?</p> <p>20 MR. HAYWOODE: Objection.</p> <p>21 A. No.</p> <p>22 MR. HAYWOODE: Objection.</p> <p>23 A. No, I don't have any reason to doubt</p> <p>24 their statement.</p> <p>25 Q. When you go to background at the</p>	<p style="text-align: right;">112</p> <p>1 John Edmonds</p> <p>2 Q. Have they told you any other issues</p> <p>3 with regards to Issue No. 3 regarding management</p> <p>4 fees of Church Homes?</p> <p>5 A. Church Homes, I thought we were</p> <p>6 talking about Logan.</p> <p>7 Q. If you look at Issue No. 3, it says,</p> <p>8 "Management fees for Church Home Associates."</p> <p>9 A. Okay.</p> <p>10 Q. Have they told you any other issues</p> <p>11 with management fees for Church Home Associates?</p> <p>12 A. They're continuing their</p> <p>13 examination. That's all they said to me. This</p> <p>14 is what they've -- in 2000 -- in their</p> <p>15 examination of the 2006 records, this is what</p> <p>16 they found. And this is -- they're continuing to</p> <p>17 look at the books and records.</p> <p>18 Q. But as of today, they haven't told</p> <p>19 you of any other issues that they have found thus</p> <p>20 far with respect to management fees of Church</p> <p>21 Home Associates?</p> <p>22 A. Orally, they have discussed with me</p> <p>23 their findings as they go along.</p> <p>24 Q. Have they told you about any</p> <p>25 findings that they have found with regards to</p>
<p style="text-align: right;">111</p> <p>1 John Edmonds</p> <p>2 very bottom of page 2, it says, "In an attempt to</p> <p>3 address the overpayments, the management company</p> <p>4 set up a receivable for the 44,675, which was</p> <p>5 credited to the current year's expense. This</p> <p>6 resulted in a partial reimbursement."</p> <p>7 MR. HAYWOODE: Just one second. Are</p> <p>8 you reading the entire statement?</p> <p>9 BY MR. TRAUB:</p> <p>10 Q. -- "and an understatement of current</p> <p>11 year management fee."</p> <p>12 Do you see where I'm reading?</p> <p>13 A. Yes.</p> <p>14 Q. Have you discussed this issue with</p> <p>15 Cameron Griffiths & Pryce?</p> <p>16 A. In oral discussions, yes.</p> <p>17 Q. And what did they tell you about</p> <p>18 this issue?</p> <p>19 A. Just what they put here.</p> <p>20 Q. And the recommendation is that the</p> <p>21 management make an additional reimbursement of</p> <p>22 approximately \$69,634 for payments in excess of</p> <p>23 what is permitted by the management contract, is</p> <p>24 that correct?</p> <p>25 A. Yes.</p>	<p style="text-align: right;">113</p> <p>1 John Edmonds</p> <p>2 management fee of Church Home Associates?</p> <p>3 A. They discuss with me the whole</p> <p>4 process used by Dalton to retain these monies.</p> <p>5 Q. Mr. Edmonds, other than the process,</p> <p>6 have they told you of any other monies that they</p> <p>7 have found that they have issue with with regards</p> <p>8 to management fee of Church Home Associates?</p> <p>9 A. This report tells me what they have</p> <p>10 found thus far.</p> <p>11 Q. So the answer then is other than</p> <p>12 what's in this report, they've not told you any</p> <p>13 other issues orally with regards to any issues</p> <p>14 or with regards to management fees --</p> <p>15 A. I told you, they've discussed with</p> <p>16 me --</p> <p>17 Q. Problems finding --</p> <p>18 A. -- problems and so forth and so on.</p> <p>19 For instance, they have indicated to me that --</p> <p>20 you know, we've asked them for these specific</p> <p>21 things, and he would name a few of the items.</p> <p>22 And he says, We have not been able</p> <p>23 to get them, and we're continuing to attempt to</p> <p>24 get those.</p> <p>25 Q. Turning to Issue No. 4, the audit</p>

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<p style="text-align: right;">114</p> <p>1 John Edmonds</p> <p>2 fee for Church Homes, it says that the issue that</p> <p>3 they've found --</p> <p>4 MR. HAYWOODE: Page 3.</p> <p>5 THE WITNESS: Uh-huh.</p> <p>6 Q. -- the issue that they found was</p> <p>7 that \$41,769 was paid for audit services of</p> <p>8 Church Homes and that they believe that it</p> <p>9 exceeded the contracted amount by 17,769 plus</p> <p>10 2,000 accrued to be paid in a subsequent period.</p> <p>11 Do you see where I'm looking at?</p> <p>12 A. Yeah.</p> <p>13 Q. Are you contesting the services</p> <p>14 received by Church Home Associates or just the</p> <p>15 amount that was paid?</p> <p>16 A. Well, Church Home Associates is a</p> <p>17 project in which Seavey owns 25 percent, I own</p> <p>18 25 percent, the limited partner owns 50 percent.</p> <p>19 We purchased that mortgage in 2006, I believe,</p> <p>20 for 2 million -- each party paid -- 25 percent</p> <p>21 investment was \$2,100,000.</p> <p>22 Seavey put up that amount. I put up</p> <p>23 that amount. And I know Seavey thought I</p> <p>24 wouldn't have the money, but I did have it.</p> <p>25 Q. Are you sure you're not confusing</p>	<p style="text-align: right;">116</p> <p>1 John Edmonds</p> <p>2 these services.</p> <p>3 Q. And so --</p> <p>4 MR. HAYWOODE: My objection, for the</p> <p>5 record, the statement you just read,</p> <p>6 Darren, says audit expense for 2006</p> <p>7 exceeded the contracted amount of 17,769,</p> <p>8 plus 2,000 accrued to be paid in a</p> <p>9 subsequent period. That was the full</p> <p>10 statement. You asked him about the 17,000,</p> <p>11 but not the 2,000.</p> <p>12 MR. TRAUB: I believe that I</p> <p>13 actually read the full statement into the</p> <p>14 record. And my question to him had nothing</p> <p>15 to do with the payment, but it had to do</p> <p>16 with are you contesting the services</p> <p>17 received or are you contesting the alleged</p> <p>18 overpayment of those services.</p> <p>19 MR. HAYWOODE: But you said 17,769.</p> <p>20 You did not add the 2,000.</p> <p>21 BY MR. TRAUB:</p> <p>22 Q. Mr. Edmonds, do you understand my</p> <p>23 question?</p> <p>24 A. Am I contesting --</p> <p>25 Q. With regard to the issue of audit</p>
<p style="text-align: right;">115</p> <p>1 John Edmonds</p> <p>2 that with Charles Hill Associates?</p> <p>3 A. The Church Home? Yes, I am</p> <p>4 confusing that -- I am. I'm talking about</p> <p>5 Charles Hill, yes.</p> <p>6 Q. So Charles Hill -- you do not own</p> <p>7 25 percent of Church Home Associates; is that</p> <p>8 correct?</p> <p>9 A. I don't think either of the managing</p> <p>10 general partners do.</p> <p>11 Q. So your last testimony about the</p> <p>12 25 percent and 25 percent and then the limited</p> <p>13 owning the remainder, that was with regards to</p> <p>14 Charles Hill and not Church Home?</p> <p>15 A. That's correct, that's correct, not</p> <p>16 Church Home.</p> <p>17 Q. So my question with regard to the</p> <p>18 audit fee of Church Homes, are you contesting the</p> <p>19 actual audit services received or just that you</p> <p>20 believe that there was a 17,769 overpayment other</p> <p>21 than what was due under the contract?</p> <p>22 A. I'm contesting the process used by</p> <p>23 the Seaveys to pay obligations of theirs of a</p> <p>24 management company, and the business of using</p> <p>25 fees that belong to the partnership to pay for</p>	<p style="text-align: right;">117</p> <p>1 John Edmonds</p> <p>2 fee for Church Homes Associates that's discussed</p> <p>3 in Item No. 4 on page 3 of Defendants' Exhibit</p> <p>4 No. 4, is the issue with regard to the audit</p> <p>5 services received or is the issue with respect to</p> <p>6 the alleged overpayment for these audit services?</p> <p>7 A. The issue, sir, for the 20th time,</p> <p>8 is the objection I have to the Seaveys'</p> <p>9 management control of these -- the dollars,</p> <p>10 including Church Home, that result in issuing</p> <p>11 monies paid to Dalton Management that Dalton</p> <p>12 Management is not entitled to.</p> <p>13 Q. Mr. Edmonds --</p> <p>14 A. I don't care -- I don't know how</p> <p>15 they used the money.</p> <p>16 Q. This will go a lot faster today,</p> <p>17 meaning this deposition, if you listen to the</p> <p>18 question that I'm asking and you respond to that</p> <p>19 question.</p> <p>20 My question has to do, not with your</p> <p>21 issue with regards to your lawsuit, with regards</p> <p>22 to Issue No. 4 specified in this. With regards</p> <p>23 to this --</p> <p>24 A. For me, Mr. Traub, it's a report of</p> <p>25 the auditors. And this report only continues to</p>

30 (Pages 114 to 117)

<p style="text-align: right;">118</p> <p>1 John Edmonds</p> <p>2 reflect the quality of abuse that I'm talking</p> <p>3 about. That's how I view it.</p> <p>4 Q. So your issue then is that you</p> <p>5 believe --</p> <p>6 A. I've answered you, Mr. Traub. I</p> <p>7 don't want you to give me an answer. You know,</p> <p>8 I've answered your question.</p> <p>9 Q. With all due respect, Mr. Edmonds,</p> <p>10 you have not, and I think that the record will</p> <p>11 reflect that. But I'll move on.</p> <p>12 MR. HAYWOODE: Object to it as</p> <p>13 argumentative.</p> <p>14 BY MR. TRAUB:</p> <p>15 Q. With regard to the salaries and</p> <p>16 office expenses, which is the issue raised in</p> <p>17 Number 5 at the bottom of page 3 --</p> <p>18 Do you see that?</p> <p>19 A. Yes, what about it?</p> <p>20 Q. What discussions have you had</p> <p>21 with Cameron Griffiths & Pryce regarding the</p> <p>22 salaries and office expenses --</p> <p>23 A. Look, I've answered that a thousand</p> <p>24 times. I've said to you that the discussions</p> <p>25 are, in connection with that, the business of</p>	<p style="text-align: right;">120</p> <p>1 John Edmonds</p> <p>2 the pockets of Dalton Management Company as a</p> <p>3 matter of practice.</p> <p>4 Q. And my question to you, Mr. Edmonds,</p> <p>5 was, before you filed your complaint and before</p> <p>6 you signed your affidavit in support of the order</p> <p>7 to show cause, did you in fact review the</p> <p>8 documents and contracts attached to your</p> <p>9 affidavit?</p> <p>10 A. I probably did, yeah. I probably</p> <p>11 would have, sure.</p> <p>12 Q. Let's just skip the formalities and</p> <p>13 turn to this.</p> <p>14 MR. TRAUB: Can you mark this as</p> <p>15 Defendants' Exhibit No. 5:</p> <p>16 (Defendants' Exhibit 5, Affidavit in</p> <p>17 Support of Order to Show Cause, marked for</p> <p>18 identification.)</p> <p>19 BY MR. TRAUB:</p> <p>20 Q. Actually, let me take that back for</p> <p>21 one second and get you a clean copy.</p> <p>22 MR. TRAUB: Can we take a</p> <p>23 five-minute break? Let's break for lunch</p> <p>24 now. This would be a good time. It's</p> <p>25 almost one o'clock.</p>
<p style="text-align: right;">119</p> <p>1 John Edmonds</p> <p>2 Dalton placing their employees on the payroll of</p> <p>3 the partnership rather than of the management</p> <p>4 company.</p> <p>5 Q. Mr. Edmonds, before you filed this</p> <p>6 lawsuit, and you served it as a verified complaint</p> <p>7 and before you filed your affidavit in support of</p> <p>8 the order to show cause, did you review all of</p> <p>9 the contracts with Dalton Management?</p> <p>10 A. I've said to you earlier I could not</p> <p>11 review all of the contracts because they were not</p> <p>12 made available to me.</p> <p>13 Q. What about all of the contracts that</p> <p>14 you attached as exhibits to your affidavit, did</p> <p>15 you review all of those contracts?</p> <p>16 A. I don't remember whether I did or</p> <p>17 not.</p> <p>18 Q. So you didn't check to see whether</p> <p>19 or not those contracts state --</p> <p>20 A. Mr. Traub --</p> <p>21 Q. Again, Mr. Edmonds --</p> <p>22 A. I -- I want to be very plain, if I</p> <p>23 can again. And that is that my objection is to</p> <p>24 the process followed by the Seaveys in gaining</p> <p>25 control and in -- in putting excessive monies in</p>	<p style="text-align: right;">121</p> <p>1 John Edmonds</p> <p>2 MR. KELLY: Is that okay with</p> <p>3 everybody?</p> <p>4 MR. TRAUB: Why don't we come back</p> <p>5 at two o'clock.</p> <p>6 THE WITNESS: How long do you expect</p> <p>7 to go today?</p> <p>8 (Luncheon recess from the record.)</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

31 (Pages 118 to 121)

<p style="text-align: right;">122</p> <p>1 John Edmonds 2 AFTERNOON SESSION 3 (1:51 p.m.) 4 JOHN EDMONDS, 5 having been previously sworn, resumed the 6 stand and testified further as follows: 7 EXAMINATION (Cont'd.) 8 BY MR. TRAUB: 9 Q. Mr. Edmonds, before we move on, 10 Defendants Exhibit No. 4, which is the 11 investigative report as of 12/12/2007 from 12 Cameron Griffiths & Pryce, is this the report 13 that forms the basis for your complaint with 14 respect to inaccuracies in the auditing of the 15 partnerships, books and records? 16 A. I think that it will be necessary 17 for these accountants to do the investigation 18 that I have retained them to do in order that we 19 can go forward with proof of our case. 20 Q. But for the actual monies and 21 statements made in your complaint, other than for 22 difficulties to get documents, which you stated 23 earlier, it's Defendants' Exhibit No. 4 that 24 makes up the basis for those -- or contains all 25 Cameron Griffiths & Pryce's findings to date?</p>	<p style="text-align: right;">124</p> <p>1 John Edmonds 2 A. -- that the basis for my complaint 3 is the conduct of the Seaveys and their 4 management company in connection with the 5 management of these four properties. 6 Q. And what you stated earlier was that 7 that conduct, as you understand it, is to be that 8 they paid Dalton employees directly from the 9 partnerships? 10 A. That's one of the -- one of the 11 basis for the complaint. 12 Q. What are the others? 13 A. I cannot be specific about that 14 because the accountants are continuing their 15 investigation -- 16 Q. But as of the date of the 17 complaint -- 18 MR. HAYWOODE: Darren -- 19 Were continuing their investigation. 20 A. -- and I expect that they will find 21 a series of defalcations and abuses that would be 22 the basis for proceeding with respect to this 23 matter. 24 Q. As of the date that you filed the 25 complaint, had they notified you of any</p>
<p style="text-align: right;">123</p> <p>1 John Edmonds 2 A. I don't know whether that's accurate 3 or not. At least as of the time when they gave 4 me this report, this was -- this was how far they 5 had been able to go. 6 Q. And as of the time that your 7 complaint was written, this is all you had 8 received from the auditors; is that correct? 9 MR. HAYWOODE: I'm going to object 10 to the form. There are a series of letters 11 here. Counsel has seen them. They predate 12 this report. All of those came to the 13 client, obviously. 14 MR. TRAUB: Mel, Number 1, if that's 15 the case, he can answer to that extent. I 16 don't need you telling him what my question 17 means. And there's nothing inappropriate 18 about my question if there are such 19 letters. 20 Q. So Mr. Edmonds, other than the 21 letters requesting other documents, is this the 22 statement that makes up the basis for your 23 complaint? 24 A. I've told you earlier that -- 25 MR. HAYWOODE: Objection to form.</p>	<p style="text-align: right;">125</p> <p>1 John Edmonds 2 defalcations they had found? 3 A. I believe we retained them -- 4 when -- 5 THE WITNESS: After we filed the 6 complaint, isn't that correct? 7 MR. HAYWOODE: (Nods head in the 8 negative.) 9 Q. Other than turning to your counsel, 10 let me try -- 11 MR. HAYWOODE: I don't know why he's 12 looking at me, because he may not know when 13 the complaint was filed. He didn't file 14 it. Perhaps you could tell him the dates. 15 MR. TRAUB: And I will -- 16 MR. HAYWOODE: We know they were 17 retained in March. 18 MR. TRAUB: The complaint was filed 19 on June 23, 2008. 20 MR. HAYWOODE: Okay. 21 A. They had been retained prior to 22 that. 23 Q. So at the time of June 23, 2008, had 24 they told you of any defalcations that they had 25 uncovered?</p>

32 (Pages 122 to 125)

<p style="text-align: right;">126</p> <p>1 John Edmonds</p> <p>2 A. I've indicated to you that -- that</p> <p>3 this --</p> <p>4 Q. "This," you mean Defendants' Exhibit</p> <p>5 No. 4?</p> <p>6 A. Yes, this report was what they --</p> <p>7 they had found for the year 2006.</p> <p>8 Q. And so that report for what they</p> <p>9 found for the year 2006 formed the basis for your</p> <p>10 complaint as of June 23, 2008?</p> <p>11 MR. HAYWOODE: My objection is that</p> <p>12 the complaint will speak for itself.</p> <p>13 The witness may answer.</p> <p>14 A. The answer is that -- that the</p> <p>15 complaint was filed as a result of my decision to</p> <p>16 go forward with this -- this action in view of</p> <p>17 the kind of responses that I was getting from the</p> <p>18 Seaveys.</p> <p>19 MR. TRAUB: Can I mark this as</p> <p>20 Defendants' Exhibit No. 6.</p> <p>21 (Defendants' Exhibit 6, Verified</p> <p>22 Complaint, marked for identification.)</p> <p>23 BY MR. TRAUB:</p> <p>24 Q. I'm also handing you what's been</p> <p>25 marked as Defendants' Exhibit No. 5 and 6.</p>	<p style="text-align: right;">128</p> <p>1 John Edmonds</p> <p>2 foregoing summons and complaint and know the</p> <p>3 contents thereof and the same is true to my own</p> <p>4 knowledge except as to matters therein stated to</p> <p>5 be true on information and belief. And as to</p> <p>6 those matters, I believe it to be true."</p> <p>7 Q. Before you signed this verification,</p> <p>8 did you read through the verified complaint?</p> <p>9 A. Yes, I did.</p> <p>10 Q. And did you agree with all of the</p> <p>11 statements in the verified complaint?</p> <p>12 A. My counsel prepared the complaint.</p> <p>13 I obviously agreed with them because I signed the</p> <p>14 complaint.</p> <p>15 Q. If you turn with me to page 18 and</p> <p>16 you look at the second paragraph in 18, the one</p> <p>17 that says "Over a period of one year."</p> <p>18 Do you see where I'm looking?</p> <p>19 A. Yes.</p> <p>20 Q. It says, "Over a period of one year</p> <p>21 in which plaintiff's auditors attempted to review</p> <p>22 the accounts for business tax year 2006, Dalton</p> <p>23 was unable to supply fundamental support</p> <p>24 information for the revenues or expenditures of</p> <p>25 that year from the information contained in its</p>
<p style="text-align: right;">127</p> <p>1 John Edmonds</p> <p>2 MR. HAYWOODE: I was wondering where</p> <p>3 5 was. Okay. 5, Darren, is --</p> <p>4 MR. TRAUB: It's marked --</p> <p>5 MR. HAYWOODE: Oh, I'm sorry.</p> <p>6 MR. TRAUB: I made a --</p> <p>7 MR. HAYWOODE: Okay.</p> <p>8 Q. Mr. Edmonds, if you turn with me</p> <p>9 first to Defendants' Exhibit No. 6, and that's</p> <p>10 the complaint. And if you turn to the</p> <p>11 second-to-last page in Defendants' Exhibit</p> <p>12 No. 6 --</p> <p>13 A. Page numbered what?</p> <p>14 Q. It actually is unnumbered. It comes</p> <p>15 out to page 48. You just had your hand on it.</p> <p>16 It has your signature, or what appears to be your</p> <p>17 signature. The next page. The next page.</p> <p>18 MR. HAYWOODE: The other way.</p> <p>19 A. Yeah, uh-huh.</p> <p>20 Q. Mr. Edmonds, is that in fact your</p> <p>21 signature?</p> <p>22 A. Yes, it is.</p> <p>23 Q. And can you read the paragraph that</p> <p>24 your signature is attesting to.</p> <p>25 A. "I, John L. Edmonds, have read the</p>	<p style="text-align: right;">129</p> <p>1 John Edmonds</p> <p>2 general ledgers.</p> <p>3 "Plaintiff's auditors found Dalton</p> <p>4 Management and Marks Paneth & Shron's financial</p> <p>5 records for the housing developments disclosed an</p> <p>6 approximately \$4 million discrepancy between</p> <p>7 claimed expenses and any documented support from</p> <p>8 which those figures could be verified in 2006."</p> <p>9 Do you agree with that statement?</p> <p>10 A. Yes, I do.</p> <p>11 Q. And where are you getting the basis</p> <p>12 for your --</p> <p>13 MR. HAYWOODE: Again, my objection</p> <p>14 is, your question to him does he agree with</p> <p>15 it -- this is received information. You</p> <p>16 know --</p> <p>17 MR. TRAUB: Mel, he verified this in</p> <p>18 a complaint.</p> <p>19 MR. HAYWOODE: Well, to the extent</p> <p>20 that that verification --</p> <p>21 BY MR. TRAUB:</p> <p>22 Q. Mr. Edmonds --</p> <p>23 MR. HAYWOODE: -- is not</p> <p>24 exhaustive --</p> <p>25 A. No, sir, I did not ever sign at any</p>

33 (Pages 126 to 129)

<p style="text-align: right;">130</p> <p>1 John Edmonds</p> <p>2 time a false statement for anyone --</p> <p>3 MR. HAYWOODE: Knowingly.</p> <p>4 A. -- okay?</p> <p>5 Q. Thank you.</p> <p>6 So what is the basis for your</p> <p>7 signing a verified complaint that states that</p> <p>8 your auditors disclose an approximately</p> <p>9 \$4 million discrepancy between the claimed</p> <p>10 expenses and any document supported from which</p> <p>11 these figures could be verified in 2006?</p> <p>12 A. The basis for that statement would</p> <p>13 be the conferences that I had with these</p> <p>14 auditors.</p> <p>15 Q. Well, now, earlier when I asked you</p> <p>16 about the conferences that you had with the</p> <p>17 auditors, you told me that nothing was added</p> <p>18 substantively than is found in Defendants'</p> <p>19 Exhibit No. 4 and that those conferences had to</p> <p>20 do with their -- I'm sorry, your word was</p> <p>21 "difficulty" in obtaining papers.</p> <p>22 MR. HAYWOODE: Objection.</p> <p>23 Not the witness' testimony as</p> <p>24 characterized.</p> <p>25 A. Mr. Traub, let me tell you this --</p>	<p style="text-align: right;">132</p> <p>1 John Edmonds</p> <p>2 MR. HAYWOODE: Darren, I recall</p> <p>3 specifically giving you a document at the</p> <p>4 deposition of William Jennings --</p> <p>5 MR. TRAUB: Mel, your statements --</p> <p>6 MR. HAYWOODE: -- which had this</p> <p>7 information in it, which talked about it</p> <p>8 and set up in categories the amount of</p> <p>9 money.</p> <p>10 MR. TRAUB: Mel --</p> <p>11 MR. HAYWOODE: Now, again, that's</p> <p>12 why I'm objecting to the form of these</p> <p>13 questions --</p> <p>14 MR. TRAUB: But, Mel --</p> <p>15 MR. HAYWOODE: -- because you're</p> <p>16 trying it to what he said or may have said</p> <p>17 orally, but there are papers you have which</p> <p>18 show it isn't so.</p> <p>19 MR. TRAUB: And the papers that you</p> <p>20 gave us at Bill Jennings' deposition is</p> <p>21 Exhibit No. 4; is that correct?</p> <p>22 MR. HAYWOODE: I have no</p> <p>23 recollection as we sit here what number it</p> <p>24 was, but I do remember the document as</p> <p>25 vividly as if it were before me. And it</p>
<p style="text-align: right;">131</p> <p>1 John Edmonds</p> <p>2 Q. It's Traub with an R.</p> <p>3 A. Traub.</p> <p>4 Q. Yes.</p> <p>5 A. Mr. Traub, let me tell you this: I</p> <p>6 signed this complaint. I believe it to be true</p> <p>7 and that's the reason I signed it. All right?</p> <p>8 Now, if you're asking me did you</p> <p>9 check this, did you check that, did you do this,</p> <p>10 did you look at that, did you check this, the</p> <p>11 answer is no. I used what information I had and</p> <p>12 signed the complaint or this affidavit as -- as</p> <p>13 set forth in the complaint.</p> <p>14 Q. Did your auditors orally tell you</p> <p>15 that they found \$4 million of --</p> <p>16 A. I answered that question -- I've</p> <p>17 answered that question for you a thousand times.</p> <p>18 Q. But my question specifically,</p> <p>19 Mr. Edmonds, which has never been asked today,</p> <p>20 was, did your --</p> <p>21 A. That's not true. It was asked</p> <p>22 earlier. That same question was asked earlier.</p> <p>23 Q. The record will reflect what the</p> <p>24 record reflects. And that's incorrect.</p> <p>25 My question for you --</p>	<p style="text-align: right;">133</p> <p>1 John Edmonds</p> <p>2 talked about an impact risk analysis or</p> <p>3 something like that, and it talked about</p> <p>4 the discrepancies that you're asking him</p> <p>5 about.</p> <p>6 MR. TRAUB: Can I finish asking the</p> <p>7 witness questions?</p> <p>8 MR. HAYWOODE: My objection to the</p> <p>9 form of the question. It mischaracterizes,</p> <p>10 obviously, the documents that you have.</p> <p>11 MR. TRAUB: Let me ask my question</p> <p>12 again, Mel. I want you to listen to it</p> <p>13 this time as well, because it has nothing</p> <p>14 to do with documents.</p> <p>15 MR. HAYWOODE: Okay. Go ahead.</p> <p>16 BY MR. TRAUB:</p> <p>17 Q. My question Mr. Edmonds, is, did</p> <p>18 Cameron Griffiths & Pryce orally ever tell you</p> <p>19 that they found a \$4 million discrepancy when</p> <p>20 reviewing the partnerships' books and records in</p> <p>21 2006?</p> <p>22 A. They told me as they approach an</p> <p>23 analysis of the problems, it would come to</p> <p>24 approximately that amount of money.</p> <p>25 Q. They did tell you that?</p>

34 (Pages 130 to 133)

<p style="text-align: right;">134</p> <p>1 John Edmonds</p> <p>2 A. I believe they did, yes.</p> <p>3 Q. And which of the accountants told</p> <p>4 you that?</p> <p>5 A. I don't remember. I've never had a</p> <p>6 meeting with an individual accountant. I've had</p> <p>7 meetings with the team.</p> <p>8 Q. When you turn to page 47 of your</p> <p>9 verified complaint and you look at paragraph G,</p> <p>10 which comprises part of your prayer for relief in</p> <p>11 this action, you state that you were praying "for</p> <p>12 a judgment against the defendants for money</p> <p>13 damages in an amount not yet determined as such</p> <p>14 damages are increasing, but in no event less than</p> <p>15 \$500 million, together with costs and attorneys'</p> <p>16 fees and such other further relief as this court</p> <p>17 deems proper."</p> <p>18 A. That's correct.</p> <p>19 Q. Now, what is --</p> <p>20 A. I base that statement --</p> <p>21 MR. HAYWOODE: Had you finished your</p> <p>22 question?</p> <p>23 MR. TRAUB: Yes. He was answering</p> <p>24 the question.</p> <p>25 MR. HAYWOODE: Okay.</p>	<p style="text-align: right;">136</p> <p>1 John Edmonds</p> <p>2 Q. Did you review every sentence in the</p> <p>3 affidavit before you signed it?</p> <p>4 A. I read the affidavit. I don't know</p> <p>5 whether I reviewed every sentence, but I agreed</p> <p>6 with my allegations in that affidavit.</p> <p>7 Q. Before signing the affidavit, did</p> <p>8 you do any independent verification of the</p> <p>9 information contained in your affidavit?</p> <p>10 A. What independent verification could</p> <p>11 I do? They have all of the books and records.</p> <p>12 Q. For instance, did you read all of</p> <p>13 the contracts specified and referred to in your</p> <p>14 affidavit?</p> <p>15 A. I could not read all of them. I --</p> <p>16 MR. HAYWOODE: Objection.</p> <p>17 Unless counsel states a time. He</p> <p>18 may have read some of these things 20 years</p> <p>19 ago. I don't know. You're saying did he</p> <p>20 read them, what, before signing that</p> <p>21 document? Is that your question?</p> <p>22 MR. TRAUB: Yes.</p> <p>23 MR. HAYWOODE: Did he read it at the</p> <p>24 time?</p> <p>25</p>
<p style="text-align: right;">135</p> <p>1 John Edmonds</p> <p>2 A. What I believe to be the value of</p> <p>3 the four projects as of that time.</p> <p>4 Q. Has the four projects -- it's your</p> <p>5 contention that the four projects have been</p> <p>6 wholly taken from you by the defendants?</p> <p>7 A. Yes.</p> <p>8 Q. I'd like you to turn with me now to</p> <p>9 your affidavit, which is Defendants' Exhibit</p> <p>10 No. 5. And I'll start off by asking you, if you</p> <p>11 look at page 27 --</p> <p>12 A. Page 24 -- yes.</p> <p>13 Q. Do you recognize that signature?</p> <p>14 A. Yes, I do.</p> <p>15 Q. Whose signature is that?</p> <p>16 A. It's my signature.</p> <p>17 Q. Did you read this entire affidavit</p> <p>18 before --</p> <p>19 A. Yes, I did.</p> <p>20 Q. Did you actually write this</p> <p>21 affidavit?</p> <p>22 A. No, I did not prepare the affidavit.</p> <p>23 Q. But you thoroughly reviewed the</p> <p>24 affidavit?</p> <p>25 A. I reviewed the affidavit.</p>	<p style="text-align: right;">137</p> <p>1 John Edmonds</p> <p>2 BY MR. TRAUB:</p> <p>3 Q. Before signing your document --</p> <p>4 MR. HAYWOODE: No, "before" means at</p> <p>5 any time before --</p> <p>6 MR. TRAUB: Let me --</p> <p>7 MR. HAYWOODE: -- in the last 20</p> <p>8 years.</p> <p>9 MR. TRAUB: No, you have got to let</p> <p>10 me finish my statement.</p> <p>11 MR. HAYWOODE: Go ahead.</p> <p>12 Q. Before signing your affidavit, did</p> <p>13 you do any independent verification of the</p> <p>14 language contained in here, such as reading an</p> <p>15 entire agreement that's referred to in your</p> <p>16 document, to determine whether or not the</p> <p>17 language contained in your affidavit is in fact</p> <p>18 reflected in that document?</p> <p>19 A. And I'll --</p> <p>20 MR. HAYWOODE: Objection to form.</p> <p>21 The witness can answer if he</p> <p>22 understands the question.</p> <p>23 A. I will answer in the same way that I</p> <p>24 answered earlier, and that is that I reviewed the</p> <p>25 affidavit. And on the basis of my review of the</p>

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<p style="text-align: right;">138</p> <p>1 John Edmonds</p> <p>2 affidavit and the information that was flowing to</p> <p>3 me, I believe the complaint to be accurate and,</p> <p>4 on that basis, I signed it.</p> <p>5 Q. If you turn with me to page 23, and</p> <p>6 specifically looking at paragraph No. 32.</p> <p>7 Will you read the first sentence for</p> <p>8 the record, please.</p> <p>9 A. I said, "Defendant Dalton has</p> <p>10 refused to produce" --</p> <p>11 Q. No, page 23, paragraph 32.</p> <p>12 A. Paragraph 32.</p> <p>13 "There's no provision in the</p> <p>14 management agreements between defendant Dalton</p> <p>15 and the partnerships to pay the salaries of</p> <p>16 defendant Dalton's employees, including defendant</p> <p>17 Dawley, who was paid \$140,000 in 2006 from the</p> <p>18 partnerships' rent revenues. In fact, the</p> <p>19 management agreement" --</p> <p>20 Q. Let's stop, just with the first</p> <p>21 sentence. And you cite to an Exhibit Q; is that</p> <p>22 correct?</p> <p>23 A. Yeah.</p> <p>24 Q. Okay. Now, when you turn to -- I</p> <p>25 apologize.</p>	<p style="text-align: right;">140</p> <p>1 John Edmonds</p> <p>2 you keep your finger there and you flip back to</p> <p>3 Exhibit -- I'm sorry, page 23, paragraph 32, I</p> <p>4 don't want you to lose the Exhibit G.</p> <p>5 A. Page 23?</p> <p>6 Q. Uh-huh. Again, paragraph 32.</p> <p>7 A. Yeah.</p> <p>8 Q. You reference paragraph 161 of the</p> <p>9 Church Home Associates' management agreement. Do</p> <p>10 you see where I'm looking?</p> <p>11 A. I said, "See Exhibit Q," according</p> <p>12 to --</p> <p>13 Q. No, keep going.</p> <p>14 A. Records and reports.</p> <p>15 Q. You say, "In fact, the management</p> <p>16 agreements between defendant Dalton and the</p> <p>17 partnerships provide," then it has "records and</p> <p>18 reports," and then you cite to --</p> <p>19 A. "Including but not limited to the</p> <p>20 cost of office supplies and" -- "will be borne by</p> <p>21 the agent out of his own funds and will not be</p> <p>22 treated as project expenses."</p> <p>23 Q. So you're referring to paragraph 161</p> <p>24 of Exhibit G; is that correct?</p> <p>25 A. Yes.</p>
<p style="text-align: right;">139</p> <p>1 John Edmonds</p> <p>2 Let's start this way: The</p> <p>3 management agreement that you're testifying to</p> <p>4 you've attached as Exhibit G. Can you turn with</p> <p>5 me to Exhibit G?</p> <p>6 A. Where is it? What page?</p> <p>7 MR. HAYWOODE: It's in the back</p> <p>8 (indicating).</p> <p>9 (Pause from the record.)</p> <p>10 Q. Exhibit G is a housing management</p> <p>11 agreement dated January 3, 2000. This one is for</p> <p>12 Church Home Associates.</p> <p>13 (Witness peruses the exhibit.)</p> <p>14 Q. Mr. Edmonds, am I to understand from</p> <p>15 your testimony earlier that you didn't fully read</p> <p>16 through this housing management agreement at the</p> <p>17 time that you signed the affidavit? Is that</p> <p>18 correct?</p> <p>19 MR. HAYWOODE: Objection. That is</p> <p>20 not the witness' testimony.</p> <p>21 A. I said I read it fully, I understood</p> <p>22 it, I discussed it with my counsel, and it's my</p> <p>23 testimony that the allegations are correct and</p> <p>24 truthful.</p> <p>25 Q. Okay. If you'll turn with me -- if</p>	<p style="text-align: right;">141</p> <p>1 John Edmonds</p> <p>2 Q. Now, can you read the very first</p> <p>3 clause of Exhibit I, how it begins, please.</p> <p>4 A. Begins what, records and reports?</p> <p>5 Q. Where it says, "Except" --</p> <p>6 A. "Except as otherwise provided in</p> <p>7 this agreement."</p> <p>8 Q. Let me ask you a question.</p> <p>9 Before you signed your affidavit,</p> <p>10 did you look to determine if there was any other</p> <p>11 language in this agreement that related to</p> <p>12 payment of salaries of defendant Dalton's</p> <p>13 employees?</p> <p>14 A. I went through this agreement -- I</p> <p>15 believe it to be true. And I used that</p> <p>16 information and the information that I was</p> <p>17 receiving from the accountants.</p> <p>18 Q. Okay. If you can now turn back to</p> <p>19 Exhibit --</p> <p>20 A. No -- we're not going to get</p> <p>21 anywhere with this -- this case is not going to</p> <p>22 turn on the basis of whether I remembered line 2</p> <p>23 of page 3. It's not going to turn on that basis.</p> <p>24 Q. Mr. Edmonds, do me a favor --</p> <p>25 MR. HAYWOODE: Unfortunately there</p>

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<p style="text-align: right;">142</p> <p>1 John Edmonds</p> <p>2 are other judges -- I forgot what I was</p> <p>3 going to say.</p> <p>4 MR. TRAUB: There's no question</p> <p>5 pending, so there's no objection for you to</p> <p>6 be making right now.</p> <p>7 MR. HAYWOODE: My objection to your</p> <p>8 last question, because you're referring to</p> <p>9 another section of the contract and asking</p> <p>10 him if he read the other section of the</p> <p>11 contract.</p> <p>12 And my objection is, there's no</p> <p>13 foundation that whatever other section</p> <p>14 you're referring to says something</p> <p>15 different from what he's reading there.</p> <p>16 MR. TRAUB: Mel, this is --</p> <p>17 MR. HAYWOODE: Lay the foundation</p> <p>18 and then he can answer the question.</p> <p>19 MR. TRAUB: Mel, when you read the</p> <p>20 transcript, you'll see I didn't ask him if</p> <p>21 he read a specific section. I asked him if</p> <p>22 he read through any agreement to make sure</p> <p>23 that no other section --</p> <p>24 MR. HAYWOODE: So you're saying any</p> <p>25 other agreement anywhere?</p>	<p style="text-align: right;">144</p> <p>1 John Edmonds</p> <p>2 MR. HAYWOODE: Is there any</p> <p>3 particular spot, Darren, on page 5 that you</p> <p>4 want him to look at?</p> <p>5 MR. TRAUB: Let's look at 13B.</p> <p>6 A. Page 5, 13D?</p> <p>7 Q. B as in boy.</p> <p>8 A. B?</p> <p>9 Q. Uh-huh.</p> <p>10 A. It begins by reading, "The owner</p> <p>11 will reimburse the agent for compensation</p> <p>12 including fringe benefits payable to frontline</p> <p>13 management employees, such as a project manager,</p> <p>14 clerical and bookkeeping personnel and the</p> <p>15 maintenance employees, resident superintendents,</p> <p>16 and the social services director, where</p> <p>17 applicable, and for all security taxes,</p> <p>18 employment insurance and Workmen's Compensation</p> <p>19 insurance."</p> <p>20 Q. I think you skipped a part. It</p> <p>21 says, "All local state and federal taxes and</p> <p>22 assessments."</p> <p>23 MR. HAYWOODE: I don't -- well --</p> <p>24 A. And for all local, state and federal</p> <p>25 taxes and assessments, yes.</p>
<p style="text-align: right;">143</p> <p>1 John Edmonds</p> <p>2 MR. TRAUB: My question was, did he</p> <p>3 read through this agreement -- it says,</p> <p>4 "Except as otherwise provided in this</p> <p>5 agreement."</p> <p>6 My question was, did he read through</p> <p>7 that agreement to make sure there was no</p> <p>8 other section that related to his</p> <p>9 statements in paragraph 32.</p> <p>10 MR. HAYWOODE: And his answer --</p> <p>11 MR. TRAUB: And his --</p> <p>12 MR. HAYWOODE: -- was, I went</p> <p>13 through it.</p> <p>14 MR. TRAUB: His answer was, I went</p> <p>15 through it, correct.</p> <p>16 BY MR. TRAUB:</p> <p>17 Q. Now, I'm asking you, please, to turn</p> <p>18 back to Exhibit G.</p> <p>19 A. What page is Exhibit G?</p> <p>20 Q. It's one where you should be holding</p> <p>21 your finger on.</p> <p>22 THE WITNESS: Is this G?</p> <p>23 MR. HAYWOODE: Yes.</p> <p>24 Q. And specifically if you'll turn with</p> <p>25 me to page 5 of Exhibit G.</p>	<p style="text-align: right;">145</p> <p>1 John Edmonds</p> <p>2 Q. And then it continues. You can</p> <p>3 continue, please.</p> <p>4 A. "Such reimbursements will be paid</p> <p>5 out of the rental agency's account and will be</p> <p>6 treated as project expenses. For this purpose,</p> <p>7 the rental value of any dwelling unit furnished</p> <p>8 rent free to the resident superintendent will not</p> <p>9 be considered a part of his compensation, but</p> <p>10 will be treated as a project expense."</p> <p>11 Q. And Mr. Edmonds, had you read this</p> <p>12 paragraph before you signed --</p> <p>13 A. Yes, I did.</p> <p>14 Q. -- the affidavit --</p> <p>15 A. Yes, I did. I'll repeat. I read</p> <p>16 all of the paragraphs. I read with the</p> <p>17 assertions I've made here.</p> <p>18 Q. Paragraph 13B, though, specifically</p> <p>19 states that "The owner," which is the project</p> <p>20 owner, in this case I believe it's Church Homes</p> <p>21 because that's this management agreement, "will</p> <p>22 pay out of their rental agency account for</p> <p>23 compensation" --</p> <p>24 A. That was an agreement --</p> <p>25 Q. Hold on, Mr. Edmonds. Let me finish</p>

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<p style="text-align: right;">146</p> <p>1 John Edmonds</p> <p>2 my statement. You're interrupting.</p> <p>3 -- "for compensation payable to</p> <p>4 frontline management employees."</p> <p>5 That seems to state that the owner</p> <p>6 will pay for, directly out of his rental agency</p> <p>7 account, the salary of Dalton's employees, does</p> <p>8 it not?</p> <p>9 MR. HAYWOODE: Objection.</p> <p>10 There's no foundation in what you</p> <p>11 just read for the question that you just</p> <p>12 put.</p> <p>13 BY MR. TRAUB:</p> <p>14 Q. Mr. Edmonds, does it not?</p> <p>15 A. Yes. And that's that this</p> <p>16 citation reflects for me and the reason it's</p> <p>17 cited here is the quality of abuse that the</p> <p>18 Seaveys have done in this case. If they</p> <p>19 made the arrangement to do this, then that</p> <p>20 arrangement must have been made with his nephew.</p> <p>21 Q. Okay. If you'll turn with me --</p> <p>22 MR. HAYWOODE: For the record,</p> <p>23 Darren, are you saying that 13B says</p> <p>24 something different from the first</p> <p>25 paragraph?</p>	<p style="text-align: right;">148</p> <p>1 John Edmonds</p> <p>2 MR. TRAUB: No, you're entitled to</p> <p>3 make objection to form, period. You're not</p> <p>4 entitled to make an argument or a</p> <p>5 suggestion. And if you continue doing</p> <p>6 this, Mel, if you continue acting like</p> <p>7 this, we're going to have to involve the</p> <p>8 court. Because this is not appropriate</p> <p>9 under the federal rules.</p> <p>10 MR. HAYWOODE: Once again, I made no</p> <p>11 argument for the record. I made no legal</p> <p>12 argument. I simply pointed out where the</p> <p>13 form objection lies; that's it.</p> <p>14 MR. TRAUB: I'll cite you one more</p> <p>15 time, "An objection must be stated</p> <p>16 concisely, in a nonargumentative and</p> <p>17 nonsuggestive manner."</p> <p>18 There's nothing in there about legal</p> <p>19 or anything. Your objection is both</p> <p>20 argumentative and suggestive and,</p> <p>21 therefore, opposite to what is provided in</p> <p>22 the federal rules.</p> <p>23 So I don't need a response from you.</p> <p>24 There's no question pending to Mr. Edmonds,</p> <p>25 and that's who my questions are going to</p>
<p style="text-align: right;">147</p> <p>1 John Edmonds</p> <p>2 MR. TRAUB: Mel, I'm not</p> <p>3 responding -- again, I'm not here for a</p> <p>4 deposition. And there's no question</p> <p>5 pending on the table, Mel.</p> <p>6 MR. HAYWOODE: Well, the question</p> <p>7 presupposes that there's some difference --</p> <p>8 MR. TRAUB: Mel.</p> <p>9 MR. HAYWOODE: -- between the two</p> <p>10 paragraphs.</p> <p>11 MR. TRAUB: What you're doing right</p> <p>12 now is inappropriate.</p> <p>13 MR. HAYWOODE: Note my objection to</p> <p>14 form.</p> <p>15 MR. TRAUB: The question was asked</p> <p>16 and it was answered. There was no question</p> <p>17 pending for you to object to. Once again,</p> <p>18 Mel, your objection is inappropriate under</p> <p>19 the federal rules, and I need you to please</p> <p>20 conduct yourself in accordance with those.</p> <p>21 MR. HAYWOODE: Again, my objection</p> <p>22 for the record is as to form.</p> <p>23 MR. TRAUB: That's it.</p> <p>24 MR. HAYWOODE: The question</p> <p>25 presupposes a different between the two --</p>	<p style="text-align: right;">149</p> <p>1 John Edmonds</p> <p>2 today.</p> <p>3 BY MR. TRAUB:</p> <p>4 Q. Mr. Edmonds, if you'll turn with me</p> <p>5 to paragraph 2 -- I'm sorry, page 2, paragraph 3</p> <p>6 of your affidavit, which is Exhibit No. 5.</p> <p>7 Do you see where I'm looking?</p> <p>8 A. Yes.</p> <p>9 Q. You state that "Since May 16, 2007,</p> <p>10 more than one year ago, defendant Dalton and the</p> <p>11 other defendants named herein have repeatedly,</p> <p>12 persistently and without explanation or cause</p> <p>13 refused to produce to plaintiff and his auditors</p> <p>14 the financial records in their possession in</p> <p>15 connection with defendant Dalton's management and</p> <p>16 operation of the partnerships' housing</p> <p>17 developments named herein in which plaintiff is a</p> <p>18 managing general partner and has substantial</p> <p>19 financial interest and ownership in these</p> <p>20 properties."</p> <p>21 Do you see where I'm reading?</p> <p>22 A. Yes.</p> <p>23 Q. Isn't it true, though, that your</p> <p>24 auditors were at defendant Dalton for almost six</p> <p>25 months obtaining and reviewing records and</p>

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<p style="text-align: right;">150</p> <p>1 John Edmonds</p> <p>2 documents?</p> <p>3 MR. HAYWOODE: Objection to the form</p> <p>4 as to what is meant by at the auditors for</p> <p>5 almost six months.</p> <p>6 MR. TRAUB: At Dalton.</p> <p>7 MR. HAYWOODE: At them for six</p> <p>8 months? Did they reside with them? I</p> <p>9 mean, I don't know.</p> <p>10 MR. TRAUB: Mel, your objection --</p> <p>11 MR. HAYWOODE: That's my objection</p> <p>12 as to form.</p> <p>13 MR. TRAUB: Thank you.</p> <p>14 MR. HAYWOODE: What does that</p> <p>15 question mean?</p> <p>16 MR. TRAUB: You're entitled to say</p> <p>17 objection to form; that's it.</p> <p>18 A. I answered that question before for</p> <p>19 you, too, and I'll answer it again.</p> <p>20 I said that the auditors reported to</p> <p>21 me orally that they were having a very, very</p> <p>22 difficult time getting books and records that</p> <p>23 they require to do their audit from Dalton</p> <p>24 Management, and that Dalton Management had a</p> <p>25 setup that impeded or blocked that information.</p>	<p style="text-align: right;">152</p> <p>1 John Edmonds</p> <p>2 (Defendants' Exhibit 7, 6/22/07</p> <p>3 Letter to variety of people from John</p> <p>4 Edmonds with attachments, marked for</p> <p>5 identification.)</p> <p>6 BY MR. TRAUB:</p> <p>7 Q. Mr. Edmonds, do you recognize</p> <p>8 Defendants' Exhibit No. 7?</p> <p>9 A. Yes, I do.</p> <p>10 Q. Is this a letter that you sent on</p> <p>11 June 22, 2007?</p> <p>12 A. That's correct.</p> <p>13 Q. Will you please read the last</p> <p>14 paragraph on the first page.</p> <p>15 A. "I have been informed by my</p> <p>16 accountants, who I have directed to examine the</p> <p>17 books and records of all of the developments that</p> <p>18 Edmonds and Seavey or the Seavey organization</p> <p>19 have an interest in, that every effort to</p> <p>20 frustrate the examination of the books and</p> <p>21 records are being made.</p> <p>22 "Books and records not available due</p> <p>23 to vacation of an employee and/or books and</p> <p>24 records available only at the site on Saturday.</p> <p>25 This will not deter my efforts herewith."</p>
<p style="text-align: right;">151</p> <p>1 John Edmonds</p> <p>2 And that setup was that Nealle would</p> <p>3 sit there at the table. And when they would ask</p> <p>4 for A, B or C, she would indicate whether it was</p> <p>5 available or not. And if it were not available,</p> <p>6 and they insisted upon it, she would then turn to</p> <p>7 her mother, Phyllis, and Phyllis would then make</p> <p>8 a decision. And that decision was that, Look,</p> <p>9 this is all you're going to get from us.</p> <p>10 Q. But you'll agree that they did get</p> <p>11 something, didn't they?</p> <p>12 MR. HAYWOODE: Objection.</p> <p>13 A. Yeah, I guess they got something</p> <p>14 because they -- for one year for 2006.</p> <p>15 Q. They certainly made enough -- got</p> <p>16 enough books and documents to write their report</p> <p>17 that's Defendants' Exhibit No. 4; is that</p> <p>18 correct?</p> <p>19 A. A report that reflects that</p> <p>20 experience for the year of 2006, examination of</p> <p>21 the records for the year of 2006.</p> <p>22 Are you suggesting, sir --</p> <p>23 MR. TRAUB: Let's mark this as</p> <p>24 Defendants' Exhibit No. 7, please.</p> <p>25</p>	<p style="text-align: right;">153</p> <p>1 John Edmonds</p> <p>2 Q. And then you continue and you</p> <p>3 threaten -- you state -- I apologize. You state</p> <p>4 that the examination is necessary to support the</p> <p>5 RICO lawsuit which you're proposing to file; is</p> <p>6 that correct?</p> <p>7 A. That's correct.</p> <p>8 Q. And in fact, you threaten that you</p> <p>9 will -- if you don't get the documents, that you</p> <p>10 will call the office of the U.S. Attorney to</p> <p>11 request that their office direct the IRS to</p> <p>12 conduct an investigation; is that correct?</p> <p>13 A. That's correct.</p> <p>14 MR. HAYWOODE: I'm sorry. May I</p> <p>15 interrupt you for just a moment? You had</p> <p>16 graciously said that we might do the</p> <p>17 deposition here Monday, rather than at the</p> <p>18 court?</p> <p>19 MR. TRAUB: Yes.</p> <p>20 MR. HAYWOODE: So that perhaps we'll</p> <p>21 do it that way for the benefit of the</p> <p>22 witnesses so they don't wind up going --</p> <p>23 MR. TRAUB: Okay.</p> <p>24 MR. HAYWOODE: Please go ahead.</p> <p>25 MR. TRAUB: Remind me at the end so</p>

39 (Pages 150 to 153)

<p style="text-align: right;">154</p> <p>1 John Edmonds</p> <p>2 we can book an appropriate conference room.</p> <p>3 A. Yes, I made that statement because I</p> <p>4 knew that -- that the Internal Revenue Service</p> <p>5 previously investigated Seaveys' tax filings.</p> <p>6 Q. Do you know what the outcome of that</p> <p>7 investigation was?</p> <p>8 A. Yeah, they -- they noticed Seavey</p> <p>9 that they would not proceed, but that he would be</p> <p>10 required to notice everyone with an interest in</p> <p>11 the partnership that -- that they had looked at</p> <p>12 his books and records.</p> <p>13 So for me, it would have meant that</p> <p>14 maybe his accountants were smart enough or</p> <p>15 experienced enough or had enough influence in the</p> <p>16 IRS to permit Seavey to escape.</p> <p>17 Q. So you think that the Seaveys'</p> <p>18 accountants had some influence over the IRS that</p> <p>19 allowed them to escape?</p> <p>20 A. Well, yeah, I think, obviously, the</p> <p>21 accountants or Seavey had that quality of</p> <p>22 influence.</p> <p>23 Q. Okay.</p> <p>24 MR. HAYWOODE: Once again, Darren --</p> <p>25 MR. TRAUB: Could you mark this as</p>	<p style="text-align: right;">156</p> <p>1 John Edmonds</p> <p>2 A. First of all, it doesn't -- it</p> <p>3 doesn't mention Seavey at all, this letter</p> <p>4 doesn't.</p> <p>5 Q. If you look at the re line, it's</p> <p>6 Fifth and 106th Associates, is it not?</p> <p>7 A. Yes.</p> <p>8 Q. So is it your testimony about the</p> <p>9 IRS -- it was your understanding that the IRS did</p> <p>10 an audit, but -- so is it your testimony then</p> <p>11 that it's this letter that was procured by the</p> <p>12 influence of Marks Paneth & Shron over the IRS?</p> <p>13 A. Yeah, I believe so, yes, I believe</p> <p>14 that -- that Marks Paneth & Shron have that kind</p> <p>15 of relationship. They're a firm that's, what, 40</p> <p>16 or 50 years old and they deal with the Internal</p> <p>17 Revenue Services all the time. And you know,</p> <p>18 they -- you identify, you know, who you can deal</p> <p>19 with?</p> <p>20 Q. And going back --</p> <p>21 A. But I mean, the issue is whether or</p> <p>22 not they required Seavey to give notice to all of</p> <p>23 the interested parties in the partnerships. You</p> <p>24 have that letter?</p> <p>25 Q. Give notice of what, Mr. Edmonds?</p>
<p style="text-align: right;">155</p> <p>1 John Edmonds</p> <p>2 Exhibit 8.</p> <p>3 MR. HAYWOODE: Your phone number.</p> <p>4 MR. TRAUB: (212) 592-1578.</p> <p>5 (Defendants' Exhibit 8, 10/26/06</p> <p>6 Letter from the IRS to Jennings with</p> <p>7 attachment, marked for identification.)</p> <p>8 MR. TRAUB: This will be Exhibit 8.</p> <p>9 MR. HAYWOODE: This is 8.</p> <p>10 BY MR. TRAUB:</p> <p>11 Q. Mr. Edmonds, I've given you what's</p> <p>12 marked as Defendants' Exhibit No. 8. Have you</p> <p>13 seen this document before?</p> <p>14 A. I don't remember seeing it, no.</p> <p>15 Q. This document at least purports to</p> <p>16 be a letter dated October 26, 2006, from the IRS.</p> <p>17 Do you see that? And the very first line says,</p> <p>18 "I've completed the examination of your return</p> <p>19 for the year shown above" -- and the tax year</p> <p>20 shown above is December 31, 2003 -- "and I am</p> <p>21 pleased to inform you I'm proposing no change to</p> <p>22 your tax return."</p> <p>23 And so is it your testimony that you</p> <p>24 believe that this letter was obtained by</p> <p>25 influence?</p>	<p style="text-align: right;">157</p> <p>1 John Edmonds</p> <p>2 A. Notice of the fact that his -- that</p> <p>3 the 2003 return for Fifth and 106th Street</p> <p>4 Associates had been -- had been reviewed by the</p> <p>5 IRS and a decision had been made to accept the</p> <p>6 return.</p> <p>7 Q. So is it --</p> <p>8 A. Accept the return, but that Seavey</p> <p>9 would be required -- and that's what he said in</p> <p>10 his letter -- be required to notice all of the</p> <p>11 parties interested in the partnerships of that</p> <p>12 fact.</p> <p>13 Q. Where in Defendants' Exhibit No. 8</p> <p>14 does it state that the IRS is compelling</p> <p>15 Mr. Seavey to give notice?</p> <p>16 A. It does not -- it does not in any</p> <p>17 way state -- make that statement; but I do know</p> <p>18 that Seavey sent a letter and said in his letter</p> <p>19 that the government -- in response to the IRS</p> <p>20 review of the -- of the return for Fifth and</p> <p>21 106th Street Associates requires that I notice</p> <p>22 you of the fact that the return had been</p> <p>23 investigated.</p> <p>24 Q. So you did in fact then get notice</p> <p>25 that the return had been investigated?</p>

40 (Pages 154 to 157)

<p style="text-align: right;">158</p> <p>1 John Edmonds</p> <p>2 A. Yeah, from Seavey.</p> <p>3 Q. Okay. Going back --</p> <p>4 A. You --</p> <p>5 Q. Going back --</p> <p>6 A. Do you agree with that, that Seavey</p> <p>7 sent such a notice out?</p> <p>8 Q. Mr. Edmonds, going back to</p> <p>9 Defendants' Exhibit No. 7 --</p> <p>10 A. Go ahead.</p> <p>11 Q. The great part, Mr. Edmonds, about</p> <p>12 you being the plaintiff and me being the attorney</p> <p>13 is that I get to take the --</p> <p>14 A. You're back to --</p> <p>15 Q. Back to Defendants' Exhibit No. 7.</p> <p>16 And looking again at the bottom paragraph, you</p> <p>17 state that "Edmonds and Seavey, or the Seavey</p> <p>18 organization" -- they're frustrating your</p> <p>19 auditors' examination because of vacation of an</p> <p>20 employee and books and records available only at</p> <p>21 the site on Saturday; is that correct?</p> <p>22 A. That's what I was told.</p> <p>23 Q. Did you ever inform the Seaveys in</p> <p>24 writing that Nealle and Phyllis Seavey were not</p> <p>25 providing all of the documents to your</p>	<p style="text-align: right;">160</p> <p>1 John Edmonds</p> <p>2 that he could bring a lawsuit to force the sale.</p> <p>3 And I said, Well, you know, that's</p> <p>4 up to you.</p> <p>5 Then subsequent to that, on an</p> <p>6 occasion that I was down in Florida, I got about</p> <p>7 ten calls from Abe Mordowitz indicating that he</p> <p>8 was going to proceed in this lawsuit. He never</p> <p>9 did.</p> <p>10 And my conclusion was that Abe</p> <p>11 Mordowitz was never a legitimate purchaser, but a</p> <p>12 front man for Bob Seavey in connection with the</p> <p>13 ownership of that property.</p> <p>14 I want to repeat for you that that</p> <p>15 property is the most valuable piece of property</p> <p>16 of the partnerships; that I had been told that</p> <p>17 the property could add an additional 100 units on</p> <p>18 the Fifth Avenue side because it was underzoned</p> <p>19 when built.</p> <p>20 MR. TRAUB: I'm going to move to</p> <p>21 strike all of that as nonresponsive to my</p> <p>22 question.</p> <p>23 BY MR. TRAUB:</p> <p>24 Q. Mr. Edmonds, if you turn back with</p> <p>25 me to Defendants' Exhibit No. 5, page 3, turn</p>
<p style="text-align: right;">159</p> <p>1 John Edmonds</p> <p>2 accountants?</p> <p>3 A. I believe I did. It may have been</p> <p>4 an oral notification, but I think I probably sent</p> <p>5 them a letter.</p> <p>6 Q. Okay.</p> <p>7 A. This had to do with -- this letter</p> <p>8 had to do with the alleged interest of Abe</p> <p>9 Mordowitz, a lawyer, in his effort to purchase</p> <p>10 the property of Fifth and 106th Street, at</p> <p>11 106th and Fifth Avenue.</p> <p>12 We went to a closing. Bob was at</p> <p>13 the closing. We were going through the</p> <p>14 contract -- and in fact, the contract might have</p> <p>15 been signed. I think we did sign some</p> <p>16 documents -- and then Bob's son-in-law, who was</p> <p>17 there representing the Seaveys, said, "Let's</p> <p>18 review this again," et cetera.</p> <p>19 And at this point, Seavey then got</p> <p>20 up and said that he had to leave because he had</p> <p>21 not eaten and that his diabetes was beginning to</p> <p>22 bother him and he felt very faint. So he left.</p> <p>23 Subsequent to that, I got a series</p> <p>24 of calls from Abe Mordowitz, who said to me that</p> <p>25 he had deposited with Seavey \$3.8 million and</p>	<p style="text-align: right;">161</p> <p>1 John Edmonds</p> <p>2 with me to Paragraph No. 5.</p> <p>3 A. Paragraph Number 5 in what?</p> <p>4 Q. Defendants' Exhibit No. 5, your</p> <p>5 affidavit.</p> <p>6 A. Where?</p> <p>7 Q. Right in the middle of that</p> <p>8 paragraph, there's a sentence that begins,</p> <p>9 "However, their attempt to audit the 2006</p> <p>10 financial records of defendant Dalton."</p> <p>11 MR. HAYWOODE: I'm sorry, Darren.</p> <p>12 Where is this?</p> <p>13 MR. TRAUB: Page 3, paragraph 5.</p> <p>14 THE WITNESS: He keeps going back to</p> <p>15 that same --</p> <p>16 MR. HAYWOODE: Must be a pony in</p> <p>17 there somewhere.</p> <p>18 Q. You could probably rest assured that</p> <p>19 you can keep that on your knee for quite some</p> <p>20 time. We're going to go through every paragraph</p> <p>21 on this page -- on this document.</p> <p>22 You have in there, "However, in the</p> <p>23 attempt to audit the 2006 financial records of</p> <p>24 defendant Dalton, plaintiff's auditors" --</p> <p>25 MR. HAYWOODE: Paragraph 5?</p>

41 (Pages 158 to 161)

<p style="text-align: right;">162</p> <p>1 John Edmonds</p> <p>2 MR. TRAUB: Paragraph 5.</p> <p>3 THE WITNESS: Yes.</p> <p>4 MR. KELLY: Slow down.</p> <p>5 MR. HAYWOODE: Of the what?</p> <p>6 MR. TRAUB: Do you see where it says</p> <p>7 "However"?</p> <p>8 THE WITNESS: Yeah, here.</p> <p>9 MR. HAYWOODE: You see it?</p> <p>10 THE WITNESS: Yes.</p> <p>11 BY MR. TRAUB:</p> <p>12 Q. "However, in their attempts to audit</p> <p>13 the 2006 financial records of defendant Dalton,</p> <p>14 plaintiff's auditors found no records to support</p> <p>15 approximately \$7,500,000 of expenses in its</p> <p>16 general ledgers for its management and operation</p> <p>17 fee of the partnership housing development."</p> <p>18 Mr. Edmonds, what is the basis for</p> <p>19 your \$7,500,000 figure?</p> <p>20 A. The basis would be the reports and</p> <p>21 the oral interviews that I had with -- with the</p> <p>22 accountants.</p> <p>23 Q. Again, earlier today, I asked you</p> <p>24 was there anything in one of the oral interviews</p> <p>25 you had with the accountants that changed or</p>	<p style="text-align: right;">164</p> <p>1 John Edmonds</p> <p>2 \$7,500,000 of expenses in general ledgers."</p> <p>3 The question is --</p> <p>4 A. That's right.</p> <p>5 Q. -- where are you getting the</p> <p>6 \$7,500,000 number?</p> <p>7 A. I'll repeat, the accountants -- the</p> <p>8 accountants, in oral discussions in their office,</p> <p>9 gave me that information.</p> <p>10 Q. Okay.</p> <p>11 MR. HAYWOODE: Let the record also</p> <p>12 show documents were produced showing that</p> <p>13 analysis by the accountants. I think the</p> <p>14 record showed more from different analyses</p> <p>15 at different dates.</p> <p>16 MR. TRAUB: Mel, again, your</p> <p>17 testimony is not what we're here for today.</p> <p>18 MR. HAYWOODE: I'm pointing to the</p> <p>19 record that you have documents in your</p> <p>20 possession which would substantiate --</p> <p>21 MR. TRAUB: Mel, this is my</p> <p>22 deposition --</p> <p>23 MR. HAYWOODE: -- what you're</p> <p>24 asking.</p> <p>25 MR. TRAUB: -- transcript and you</p>
<p style="text-align: right;">163</p> <p>1 John Edmonds</p> <p>2 modified or somehow amended the investigation</p> <p>3 report that we've discussed earlier and that's</p> <p>4 been marked as Defendants' Exhibit No. 4, and you</p> <p>5 told me no.</p> <p>6 A. I repeat, then.</p> <p>7 Q. Where in Defendants' Exhibit No. 4,</p> <p>8 which is the 12/12/2007 investigation report, do</p> <p>9 you find the basis to support a \$7,500,000</p> <p>10 figure?</p> <p>11 A. The basis to support that allegation</p> <p>12 is in the first sentence, "Defendants Dalton and</p> <p>13 Marks Paneth & Shron's refusal to provide</p> <p>14 plaintiff's auditors with the financial records</p> <p>15 of the partnership housing developments have</p> <p>16 caused them to be unable to complete an audit for</p> <p>17 even one year of the ten years that defendant</p> <p>18 Dalton has been managing and operating housing</p> <p>19 developments. See Exhibit A.</p> <p>20 "However, in their" --</p> <p>21 Q. That's not --</p> <p>22 A. What's that?</p> <p>23 Q. That's not what you state here.</p> <p>24 What you state here is "In their attempt to</p> <p>25 audit, they found no records to support</p>	<p style="text-align: right;">165</p> <p>1 John Edmonds</p> <p>2 are not entitled to make notes on it, nor</p> <p>3 are you entitled to testify on it.</p> <p>4 MR. HAYWOODE: The documents will</p> <p>5 speak for themselves.</p> <p>6 BY MR. TRAUB:</p> <p>7 Q. Mr. Edmonds, you cite for this</p> <p>8 paragraph Exhibit E.</p> <p>9 A. Yeah. Where is that?</p> <p>10 Q. It's attached to your affidavit as</p> <p>11 Exhibit E.</p> <p>12 A. Yes, it's Exhibit E.</p> <p>13 Q. Do you see that?</p> <p>14 A. Yeah.</p> <p>15 Q. What is Exhibit E?</p> <p>16 A. It's the -- it says, "Combined</p> <p>17 financial summary for the period ended</p> <p>18 December 2006."</p> <p>19 Q. Do you know who provided this</p> <p>20 combined financial summary to you?</p> <p>21 A. The auditors.</p> <p>22 Q. Do you know who prepared this</p> <p>23 combined financial --</p> <p>24 A. No, I do not.</p> <p>25 Q. If you turn to paragraph 6, you</p>

42 (Pages 162 to 165)

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<p style="text-align: right;">166</p> <p>1 John Edmonds</p> <p>2 state that "The defendants are" -- and I'm</p> <p>3 quoting -- "depriving plaintiff" -- being you --</p> <p>4 "of this financial and ownership interest in the</p> <p>5 partnerships while the defendants named herein</p> <p>6 are reaping enormous and personal financial</p> <p>7 gains."</p> <p>8 A. Absolutely true.</p> <p>9 Q. How are the defendants depriving you</p> <p>10 of your ownership interest in the partnerships?</p> <p>11 A. By refusing my participation in the</p> <p>12 decision-making of the projects and by having</p> <p>13 exclusive and sole control of these projects and</p> <p>14 using their management company, Dalton Management</p> <p>15 Company, owned by Phyllis, to disregard any</p> <p>16 requests that I make.</p> <p>17 Q. And what ownership -- withdrawn.</p> <p>18 What is the basis for your statement</p> <p>19 that Phyllis is the owner of Dalton Management</p> <p>20 Company?</p> <p>21 A. Every time I talk to Phyllis or to</p> <p>22 any of the Seaveys, including Bob, and Phyllis</p> <p>23 will, in my recollection, state to me that she is</p> <p>24 the owner. That's how she identifies herself, I</p> <p>25 am the owner.</p>	<p style="text-align: right;">168</p> <p>1 John Edmonds</p> <p>2 her interest, which I think was 2 or 3 percent.</p> <p>3 Q. You say, "Plaintiff is a managing</p> <p>4 general partner of the Lakeview partnership and</p> <p>5 owns a 9 percent interest in that partnership."</p> <p>6 A. That's the basis upon which I made</p> <p>7 that statement, is what -- the information that</p> <p>8 Seavey had given me.</p> <p>9 Q. And is that what you understand</p> <p>10 yourself to own and to be?</p> <p>11 A. That's correct.</p> <p>12 Q. I'm going to hand you what's been</p> <p>13 marked as Defendants' Exhibit No. 9.</p> <p>14 (Defendants' Exhibit 9, Agreement</p> <p>15 for Purchase and Sale of Partnership</p> <p>16 Interest, marked for identification.)</p> <p>17 Q. And also what's being marked as</p> <p>18 Defendants' Exhibit No. 10.</p> <p>19 (Defendants' Exhibit 10, Second</p> <p>20 Amended Agreement of Limited Partnership of</p> <p>21 Fifth and 106th Street Associates, L.P.,</p> <p>22 marked for identification.)</p> <p>23 BY MR. TRAUB:</p> <p>24 Q. Mr. Edmonds, Defendants' Exhibit</p> <p>25 No. 9, it's an agreement for purchase and sale of</p>
<p style="text-align: right;">167</p> <p>1 John Edmonds</p> <p>2 Everybody else has -- has an</p> <p>3 interest, but I think that the way in which the</p> <p>4 Seaveys had worked it out, I think Phyllis owns</p> <p>5 52 percent of the company. She doesn't call</p> <p>6 herself chairman or anything. She says, I'm the</p> <p>7 owner. And the other percentages are controlled</p> <p>8 by Avery in a partnership called ABN -- I think</p> <p>9 ABNS; Avery, Bob, Nealle Seavey.</p> <p>10 Q. Turn with me to page 6. It's</p> <p>11 paragraph 12 of your affidavit.</p> <p>12 MR. TRAUB: This is going to be 9</p> <p>13 and this will be 10.</p> <p>14 Q. Mr. Edmonds, in this paragraph, it</p> <p>15 refers to Lakeview partnership. You state that</p> <p>16 you own a 9 percent interest in the partnership</p> <p>17 and you describe that interest as a managing</p> <p>18 general partner; is that correct?</p> <p>19 A. I don't describe the interest as</p> <p>20 managing. I say I am a managing general partner.</p> <p>21 I say further, I believe, that the managing</p> <p>22 general partners own 18 percent. But I've been</p> <p>23 informed by Bob Seavey -- we originally I think</p> <p>24 owned 7 percent each, but Bob arranged to</p> <p>25 purchase from one of the relatives of the Singers</p>	<p style="text-align: right;">169</p> <p>1 John Edmonds</p> <p>2 partnership interest.</p> <p>3 Have you seen this document before?</p> <p>4 A. I may have, yeah. I think I may</p> <p>5 have seen it.</p> <p>6 Q. If you turn to page 5 and the</p> <p>7 Exhibit A and B, do you recognize your signature?</p> <p>8 A. Yes, I do.</p> <p>9 Q. This agreement for purchase and sale</p> <p>10 of partnership interest is an agreement whereby</p> <p>11 you are selling your partnership interest in</p> <p>12 Fifth and 106th Street to BNA Realty Company,</p> <p>13 LLC; is that correct?</p> <p>14 A. Yes, Bob Seavey and --</p> <p>15 Q. If you turn to page 2, the very top</p> <p>16 of page 2, it says, under little z, that "The</p> <p>17 balance of Edmonds' interest in the partnership</p> <p>18 (1.2 percent), which is now converted at this</p> <p>19 time to a limited partnership interest, however,</p> <p>20 the assignment of which shall not be effective</p> <p>21 until Edmonds' death."</p> <p>22 Do you see that?</p> <p>23 A. Yes.</p> <p>24 Q. Then in connection with that, a</p> <p>25 second amended agreement of limited partnership</p>

43 (Pages 166 to 169)

<p style="text-align: right;">170</p> <p>1 John Edmonds</p> <p>2 of Fifth and 106th Street Associates was signed;</p> <p>3 is that correct? And that's what's been given to</p> <p>4 you as Defendants' Exhibit No. 10.</p> <p>5 A. Yes. That's the agreement Bob --</p> <p>6 Q. If you look at --</p> <p>7 A. Yes, that's the agreement that Bob</p> <p>8 Seavey went out to -- to Mineola and removed so</p> <p>9 that there would be no record of this agreement.</p> <p>10 And the reason he went to Mineola was that the</p> <p>11 original partner had filed this partnership in</p> <p>12 Nassau County.</p> <p>13 Q. If you turn to paragraph 3 on page 3</p> <p>14 of this agreement, it states that "Edmonds'</p> <p>15 7.5 percent partnership interest is assigned,</p> <p>16 transferred and conveyed to BNA so that BNA shall</p> <p>17 have a 6.2 percent of said 7.5 percent interest</p> <p>18 in the partnership as a general partner and</p> <p>19 Edmonds shall retain and does retain 1.2 percent</p> <p>20 of his former 7.5 percent partnership interest as</p> <p>21 a limited partner."</p> <p>22 And then on page 5, it appears to</p> <p>23 have your signature; is that correct?</p> <p>24 A. Yes.</p> <p>25 Q. And the signatures of, in fact, all</p>	<p style="text-align: right;">172</p> <p>1 John Edmonds</p> <p>2 And Seavey, when I told him that I</p> <p>3 was prepared to do that, he instructed me to</p> <p>4 place the check back in the Chase account and</p> <p>5 endorse it for -- I think the letter was CL --</p> <p>6 client number so and so and so, and put it in the</p> <p>7 account. And that's exactly what I did.</p> <p>8 Q. Can you show me where in the second</p> <p>9 amended agreement of limited partnership of Fifth</p> <p>10 and 106th Street Associates, L.P. provides that</p> <p>11 when you repay the money, you'll be put back in</p> <p>12 as a --</p> <p>13 A. No.</p> <p>14 Q. -- managing partner?</p> <p>15 A. No. I can't. I can't. And</p> <p>16 that's -- but I repaid the money. And I don't</p> <p>17 think Seavey can take the position that, yeah, we</p> <p>18 got the money back, but you're still out --</p> <p>19 think that's a ludicrous position and I doubt</p> <p>20 that he would take it in any set of</p> <p>21 circumstances.</p> <p>22 Do you deny that I repaid the money?</p> <p>23 Q. Going back to --</p> <p>24 A. Answer my question. Do you deny</p> <p>25 that I repaid the money?</p>
<p style="text-align: right;">171</p> <p>1 John Edmonds</p> <p>2 of the partners in Fifth and 106th Street?</p> <p>3 A. That's correct.</p> <p>4 Q. Do you know of any amendment to the</p> <p>5 partnership agreement of Fifth and 106th Street</p> <p>6 Associates that came after this second amended</p> <p>7 agreement?</p> <p>8 A. I know of no amendment. I do know</p> <p>9 that the amounts of monies that is being cited</p> <p>10 here were repaid to the partnership. Seavey had</p> <p>11 set up a situation in Chase Bank where</p> <p>12 \$1.7 million of \$3 billion was in his name and</p> <p>13 1.3 in mine.</p> <p>14 Those monies are the monies that</p> <p>15 I've repeated to you several times were the</p> <p>16 6 percent fee that the partners are entitled to</p> <p>17 while operating the project in a positive</p> <p>18 fashion.</p> <p>19 I was given a certain date to pay</p> <p>20 that money. I did not make that date, but I paid</p> <p>21 the money later. As a matter of fact, I called</p> <p>22 Bob Seavey and told him that I was prepared to</p> <p>23 pay it, and I paid it with the highest legal</p> <p>24 rate, I think it was 16 percent, back to the</p> <p>25 partnership in order to redeem my position.</p>	<p style="text-align: right;">173</p> <p>1 John Edmonds</p> <p>2 Q. Going back to Defendants' Exhibit</p> <p>3 No. 5, which is your affidavit, looking at</p> <p>4 paragraph 13 discussing Logan Plaza, you are in</p> <p>5 fact a 50 percent owner of Logan Plaza; is that</p> <p>6 correct?</p> <p>7 A. That's correct.</p> <p>8 Q. Prior to Dalton taking over as the</p> <p>9 management company of Logan Plaza in 2000, had</p> <p>10 you ever received a distribution for your</p> <p>11 ownership interest in Logan Plaza?</p> <p>12 A. No. There -- there were no</p> <p>13 distributions at Logan Plaza till such time as we</p> <p>14 purchased the project. In other words, the</p> <p>15 project was -- the limited part of the project as</p> <p>16 I recall was the Boston Financial organization.</p> <p>17 They told Avery Seavey that they</p> <p>18 were getting out of the business of having an</p> <p>19 interest in the affordable housing area and that</p> <p>20 it would be available for sale.</p> <p>21 Avery and I then negotiated with</p> <p>22 them. They agreed to accept from us each 2</p> <p>23 point, I think it was -- no. They agreed to</p> <p>24 accept \$640,000 each, from Avery and from me.</p> <p>25 And that -- the Logan Plaza, being an 80/20</p>

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<p style="text-align: right;">174</p> <p>1 John Edmonds</p> <p>2 situation, HVC then stepped in, took control of</p> <p>3 the mortgage and I believe paid out Boston</p> <p>4 Financial for its participation.</p> <p>5 MR. TRAUB: This as Number 12,</p> <p>6 please.</p> <p>7 (Defendants' Exhibit 11, Amended and</p> <p>8 Restated Certificate of Limited Partnership</p> <p>9 of Charles H. Housing Associates, marked</p> <p>10 for identification.)</p> <p>11 BY MR. TRAUB:</p> <p>12 Q. Mr. Edmonds, if you look at</p> <p>13 paragraph 14 of your affidavit concerning Charles</p> <p>14 Hill Associates, you testified that you own</p> <p>15 25 percent interest in that partnership; is that</p> <p>16 correct?</p> <p>17 A. That's correct.</p> <p>18 Q. Is that your understanding of your</p> <p>19 ownership interest in Charles Hill?</p> <p>20 A. That's correct.</p> <p>21 Q. I've given you what's been marked as</p> <p>22 Defendants' Exhibit No. 11, which is the amended</p> <p>23 and restated certificate of limited partnership</p> <p>24 of Charles H. Housing Associates.</p> <p>25 (Witness peruses the exhibit.)</p>	<p style="text-align: right;">176</p> <p>1 John Edmonds</p> <p>2 Schedule A, it says capital contribution, you</p> <p>3 made \$100. It says your interest in the</p> <p>4 operations is 1 percent and your interest in</p> <p>5 capital transactions is 24.745 percent.</p> <p>6 A. That's correct.</p> <p>7 Q. And that actually the investor</p> <p>8 limited partner, Charles Hill Tower Associates,</p> <p>9 has 98 percent of the interest in the operations.</p> <p>10 Is that correct?</p> <p>11 A. That's what it says here.</p> <p>12 Q. Did you --</p> <p>13 A. I only know that the investor</p> <p>14 limited partner purchased for himself and his</p> <p>15 company that 50.51 percent and that the general</p> <p>16 partners purchased, by the payment of</p> <p>17 \$2.1 million each, the 24.745 percent.</p> <p>18 Q. So you purchased, am I correct, the</p> <p>19 mortgage actually on this property?</p> <p>20 A. That's correct.</p> <p>21 Q. So you get 25 percent of all</p> <p>22 mortgage payments on this property?</p> <p>23 A. That's correct.</p> <p>24 Q. But you actually own a 1 percent</p> <p>25 interest in the ownership on this property?</p>
<p style="text-align: right;">175</p> <p>1 John Edmonds</p> <p>2 Q. Is Charles H. Housing Associates the</p> <p>3 same as your Charles H. Hill Associates</p> <p>4 partnership?</p> <p>5 A. Charles H. Housing Associates are</p> <p>6 the owners of Charles H.</p> <p>7 Q. And if you turn to page 47 --</p> <p>8 MR. HAYWOODE: I'm sorry, did the</p> <p>9 witness finish?</p> <p>10 Are the owners of Charles H., the --</p> <p>11 THE WITNESS: Yes, the real</p> <p>12 estate -- Charles H. is the -- is the real</p> <p>13 estate.</p> <p>14 MR. HAYWOODE: Uh-huh.</p> <p>15 Q. Now, Mr. Edmonds, if you turn to</p> <p>16 page 47 --</p> <p>17 A. Yeah.</p> <p>18 Q. -- it lays out all of the different</p> <p>19 ownership interests in this partnership. It</p> <p>20 provides that you have a 1 percent interest in</p> <p>21 the operations of the partnership; is that</p> <p>22 correct?</p> <p>23 A. What does that mean, "a 1 percent</p> <p>24 interest in the operations"?</p> <p>25 Q. Well, if you're looking at</p>	<p style="text-align: right;">177</p> <p>1 John Edmonds</p> <p>2 A. No, I own a 25 percent interest in</p> <p>3 the ownership of this property. Why would I own</p> <p>4 a 1 percent interest in the property when -- when</p> <p>5 I've paid for 25 percent interest?</p> <p>6 Q. Do you know --</p> <p>7 A. Why would I do that?</p> <p>8 Q. Do you know of any other document</p> <p>9 other than the one that I've given you that sets</p> <p>10 forth the ownership interest of Charles Hill</p> <p>11 partnership?</p> <p>12 A. I can't think of one.</p> <p>13 Q. Turning back to your Defendants'</p> <p>14 Exhibit No. 5, which is your affidavit --</p> <p>15 (Discussion off the record between</p> <p>16 the witness and his counsel.)</p> <p>17 Q. -- looking at paragraph 20, which is</p> <p>18 on page 9 of your affidavit --</p> <p>19 (Pause from the record.)</p> <p>20 Q. -- you state that "On or about the</p> <p>21 summer of 2005, reliable employees of the</p> <p>22 partnerships' housing developments communicated</p> <p>23 to plaintiff that excessive costs were being</p> <p>24 incurred by the partnerships' housing</p> <p>25 developments as a result of the contracts</p>

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<p style="text-align: right;">178</p> <p>1 John Edmonds</p> <p>2 defendant Dalton had entered into on behalf of</p> <p>3 the partnerships' housing developments, as well</p> <p>4 as to the improper management and operation of</p> <p>5 the partnerships' housing developments by</p> <p>6 defendant Dalton."</p> <p>7 A. Yes.</p> <p>8 Q. Which employees?</p> <p>9 A. Basically they were the -- the</p> <p>10 employees who did the work at the development,</p> <p>11 who clean, made the repairs and so forth and so</p> <p>12 on. They told me that -- that Phyllis had made</p> <p>13 an arrangement with a company someplace in Long</p> <p>14 Island that required them to spend about three to</p> <p>15 four hours a day to go out there to get materials</p> <p>16 that they might need to service the tenants and</p> <p>17 that they didn't understand that since the</p> <p>18 largest supplier of equipment, plumbing,</p> <p>19 electrical, et cetera, was right at</p> <p>20 86th Street -- 88th Street and Third Avenue</p> <p>21 and within 15 to 20 minutes they could go down</p> <p>22 and order their material. And they said that</p> <p>23 this company would deliver any materials that</p> <p>24 they needed within 24 hours.</p> <p>25 And beyond that, they said that this</p>	<p style="text-align: right;">180</p> <p>1 John Edmonds</p> <p>2 relevant to this action?</p> <p>3 A. Well, when that comes, it's</p> <p>4 necessary, I'll consider whether I should call</p> <p>5 any of them.</p> <p>6 Q. Actually, Mr. Edmonds, it's</p> <p>7 necessary right now for you to either disclose --</p> <p>8 A. It isn't necessary for me to</p> <p>9 disclose it. I'm not going to disclose it, and</p> <p>10 I've told you that before.</p> <p>11 Q. You don't have to raise your voice.</p> <p>12 A. Well, I do because you don't seem to</p> <p>13 understand me.</p> <p>14 Q. And you don't have to point to me</p> <p>15 either.</p> <p>16 A. Yes, I do because you don't seem to</p> <p>17 understand me.</p> <p>18 MR. HAYWOODE: Counsel, I suggest</p> <p>19 you make a motion for a ruling on this.</p> <p>20 MR. TRAUB: I'm trying to avoid</p> <p>21 making unnecessary motions when Mr. Edmonds</p> <p>22 brought this lawsuit on the basis of</p> <p>23 statements from, quote-unquote, reliable</p> <p>24 employees, but is now refusing to --</p> <p>25 THE WITNESS: I didn't bring the</p>
<p style="text-align: right;">179</p> <p>1 John Edmonds</p> <p>2 was the company who supplied these materials</p> <p>3 originally and there was no issue, no question of</p> <p>4 them not having the particular piece of pipe or</p> <p>5 electrical fixture, et cetera, that they needed</p> <p>6 to make a repair.</p> <p>7 Q. Do you remember the name of any of</p> <p>8 the employees that told you this?</p> <p>9 A. I don't. I don't wish to disclose</p> <p>10 any names as I fear that they would hear they</p> <p>11 would be punished in the strong and determined</p> <p>12 way that Phyllis Seavey has.</p> <p>13 Q. Mr. Edmonds, while I recognize that</p> <p>14 you may not want to disclose the names --</p> <p>15 A. I haven't answered the question.</p> <p>16 I'm not going to. Okay?</p> <p>17 Q. On the record, are you refusing to</p> <p>18 state the basis for your paragraph 20?</p> <p>19 A. No, no. I've set forth in plain</p> <p>20 language what the basis of paragraph 20 is. I've</p> <p>21 said I decline to name the individual employees</p> <p>22 because I don't want them fired or put out of</p> <p>23 work.</p> <p>24 Q. What about deposed in this action;</p> <p>25 don't you think that their testimony would be</p>	<p style="text-align: right;">181</p> <p>1 John Edmonds</p> <p>2 lawsuit on the basis -- that was a part of</p> <p>3 the information that I received from</p> <p>4 various sources. All right? And that's</p> <p>5 the basis of my bringing the lawsuit and</p> <p>6 the fact of the kind of control that the</p> <p>7 Seaveys have exercised over these</p> <p>8 properties.</p> <p>9 MR. TRAUB: Again, Mr. Edmonds, I've</p> <p>10 asked you not to raise your voice.</p> <p>11 MR. HAYWOODE: And I object to</p> <p>12 characterizing his voice as being raised.</p> <p>13 I've heard him much louder.</p> <p>14 THE WITNESS: That's absolutely</p> <p>15 correct. You should be in court with me</p> <p>16 one day --</p> <p>17 MR. TRAUB: I plan on it.</p> <p>18 THE WITNESS: -- on opposite sides</p> <p>19 and you'll see how I raise my voice.</p> <p>20 MR. TRAUB: I plan on it soon.</p> <p>21 MR. HAYWOODE: Counsel, nationwide</p> <p>22 we have a whistle-blower problem. There</p> <p>23 are regulations that pertain to that. And</p> <p>24 that's why I think it should be relegated</p> <p>25 to a motion. I think any court would</p>

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<p>182</p> <p>1 John Edmonds</p> <p>2 understand at least the logic of what</p> <p>3 Mr. Edmonds is saying. To the extent we</p> <p>4 offer it as proof in a trial, that's</p> <p>5 another issue.</p> <p>6 BY MR. TRAUB:</p> <p>7 Q. Mr. Edmonds, turning to</p> <p>8 paragraph 23, you state that the auditor's review</p> <p>9 of Dalton's financial records --</p> <p>10 A. What page is that?</p> <p>11 Q. Page 10.</p> <p>12 A. I state which?</p> <p>13 MR. KELLY: I'm missing 10 in mine.</p> <p>14 MR. TRAUB: Paragraph 23, page 10.</p> <p>15 MR. HAYWOODE: I don't have 10</p> <p>16 either.</p> <p>17 MR. KELLY: It goes to 11 and then</p> <p>18 10. One page out of order.</p> <p>19 MR. TRAUB: You can take off the</p> <p>20 binder and switch the pages --</p> <p>21 MR. KELLY: Oh, thanks.</p> <p>22 MR. TRAUB: -- if you want to put</p> <p>23 them back in order.</p> <p>24 MR. HAYWOODE: You wanted something</p> <p>25 to do, right?</p>	<p>184</p> <p>1 John Edmonds</p> <p>2 deals. For instance, the garage as an</p> <p>3 example, that contract with that garage operator</p> <p>4 gives him the right to operate that garage at a</p> <p>5 fee substantially below what the fees ought to</p> <p>6 be.</p> <p>7 And it also gives him the right</p> <p>8 that, in the event that the project is disposed</p> <p>9 of, that he continues to operate the garage and</p> <p>10 that if he at any time decided that he didn't</p> <p>11 want to operate it further, that he would have</p> <p>12 six months to make up his mind and go from there.</p> <p>13 And I'm saying that the Seaveys, by</p> <p>14 doing that, and having this garage operator enter</p> <p>15 into an agreement with ABNS, then they say that</p> <p>16 they should be removed because I think that the</p> <p>17 basic partnership rule is that the managing</p> <p>18 general partner has the responsibility to always</p> <p>19 act in the best interest of the partnership.</p> <p>20 And I consider that if Seavey and</p> <p>21 those are behaving in a way to benefit themselves</p> <p>22 and some third party, that he was not acting in</p> <p>23 the best interest of the partnership and should</p> <p>24 be removed.</p> <p>25 Q. Are you aware of when that agreement</p>
<p>183</p> <p>1 John Edmonds</p> <p>2 BY MR. TRAUB:</p> <p>3 Q. You state that your auditor's review</p> <p>4 of Dalton's records reveal that defendants</p> <p>5 Phyllis Seavey and Dawley repeatedly and on a</p> <p>6 consistent basis purposefully provided false and</p> <p>7 misleading information in the monthly financial</p> <p>8 package by not reporting amounts paid to the</p> <p>9 partnerships in connection with the third-party</p> <p>10 agreements it entered into for the partnerships."</p> <p>11 A. Uh-huh.</p> <p>12 Q. Which third-party agreements are you</p> <p>13 referring to in paragraph 23?</p> <p>14 A. Which third-party agreements?</p> <p>15 Q. Yes.</p> <p>16 A. I'm talking about an agreement with</p> <p>17 the -- with the garage operator. Talking about</p> <p>18 an agreement with the laundry operator. And I'm</p> <p>19 talking about an agreement with -- with the</p> <p>20 people who install these telephonic wires on the</p> <p>21 roofs of these buildings.</p> <p>22 Q. And are you contending that these</p> <p>23 vendors actually paid money to the partnerships?</p> <p>24 A. No, I'm contending that these</p> <p>25 vendors have what you would call sweetheart</p>	<p>185</p> <p>1 John Edmonds</p> <p>2 with the garage was entered into?</p> <p>3 A. Whenever they came aboard. I don't</p> <p>4 know when they came aboard.</p> <p>5 Q. Have you seen this agreement?</p> <p>6 A. I haven't seen the agreement.</p> <p>7 Q. So you're not aware of the date that</p> <p>8 the agreement was signed --</p> <p>9 A. Does Bob deny that the agreement</p> <p>10 exists? No, I don't know when it was signed.</p> <p>11 Q. Are you aware of the term of the --</p> <p>12 the length and term of the agreement?</p> <p>13 A. It has an indefinite term.</p> <p>14 Q. But in paragraph 23, you state that</p> <p>15 they're providing misleading information by not</p> <p>16 reporting amounts paid to the partnerships in</p> <p>17 connection with these third-party agreements.</p> <p>18 What payments are you referring to</p> <p>19 that the partnerships are receiving from these</p> <p>20 third-party agreements?</p> <p>21 A. I don't know that the partnerships</p> <p>22 are receiving any payment. I believe that, on</p> <p>23 behalf of the partnership, these companies that</p> <p>24 the Seaveys have formed are the -- are the</p> <p>25 operators of this. And my essential position is</p>

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<p style="text-align: right;">186</p> <p>1 John Edmonds</p> <p>2 that these are monies that should go to the</p> <p>3 partnerships and not to Seavey or to any company</p> <p>4 that he might have formed.</p> <p>5 Q. Have you seen any document showing</p> <p>6 that there's money going to the Seaveys or any</p> <p>7 partnership that he might --</p> <p>8 A. No, I only have been able to</p> <p>9 determine that, in fact, Avery Seavey is a</p> <p>10 managing general partner of an agreement between</p> <p>11 the Seaveys and the operator of the garage.</p> <p>12 Q. Is there money from the garage that</p> <p>13 you believe is going to the Seaveys?</p> <p>14 A. Yes.</p> <p>15 Q. And --</p> <p>16 A. If he's a partner with the garage</p> <p>17 operator, then obviously monies are going to him.</p> <p>18 Q. So it's your understanding that</p> <p>19 Avery is a partner in the garage?</p> <p>20 A. Yes. And in the laundromat, also.</p> <p>21 Q. And he's also a partner in the</p> <p>22 laundromat?</p> <p>23 A. Yes. And also a partner in that --</p> <p>24 electronic --</p> <p>25 MR. HAYWOODE: Sign.</p>	<p style="text-align: right;">188</p> <p>1 John Edmonds</p> <p>2 Seavey was the managing general partner along</p> <p>3 with the garage operator.</p> <p>4 Q. Do you remember the name of the LLC?</p> <p>5 A. ABNS.</p> <p>6 Q. It's your understanding that the</p> <p>7 garage operator is a partner in ABNS?</p> <p>8 A. ABNS, that's correct.</p> <p>9 Q. You cite, though -- for your</p> <p>10 contention, paragraph No. 3, you cite Exhibit A.</p> <p>11 A. What's Exhibit A?</p> <p>12 Q. Well, you cite here that "The</p> <p>13 plaintiff's auditor's review revealed that, on a</p> <p>14 consistent basis, they provided false, misleading</p> <p>15 information by not reporting amounts paid to the</p> <p>16 partnership." And you say, "See Exhibit A."</p> <p>17 MR. HAYWOODE: Are you referring to</p> <p>18 the Cameron Griffiths letter of --</p> <p>19 MR. TRAUB: If you look at</p> <p>20 paragraph 23, in bold, at the very end of</p> <p>21 23, you say, "See Exhibit A."</p> <p>22 MR. HAYWOODE: I see listing</p> <p>23 Exhibit Q. Where am I --</p> <p>24 THE WITNESS: "Plaintiff relied</p> <p>25 totally upon the monthly financial packages</p>
<p style="text-align: right;">187</p> <p>1 John Edmonds</p> <p>2 A. -- sign upstairs.</p> <p>3 Q. What documents have you seen to</p> <p>4 support your understanding --</p> <p>5 A. Those are not the kind of documents</p> <p>6 that Seavey would distribute to me.</p> <p>7 Q. Has anyone ever told you that Avery</p> <p>8 is a partner in those --</p> <p>9 A. I said I investigated that.</p> <p>10 Q. And who told you that Avery was a</p> <p>11 partner in the partnership --</p> <p>12 A. State of New York.</p> <p>13 Q. Which document of the State of New</p> <p>14 York told you that?</p> <p>15 A. I went to Albany and visited their</p> <p>16 office --</p> <p>17 Q. Whose offices?</p> <p>18 A. The Secretary of State at the</p> <p>19 Harriman campus.</p> <p>20 -- and secured this information.</p> <p>21 Q. By looking at what document at the</p> <p>22 Secretary of State's office?</p> <p>23 A. They showed me a document that</p> <p>24 reflected the organizations of this corporation</p> <p>25 or limited liability company, of which Avery</p>	<p style="text-align: right;">189</p> <p>1 John Edmonds</p> <p>2 which defendant Dalton prepared and sent to</p> <p>3 him as being true and accurate. However,</p> <p>4 plaintiff's auditor's review of Dalton's</p> <p>5 financial records reveal that defendants</p> <p>6 Phyllis Seavey and Dawley repeatedly, and</p> <p>7 on a consistent basis, purposely provided</p> <p>8 false and misleading information in the</p> <p>9 monthly financial package by not reporting</p> <p>10 amounts paid to the partnership in</p> <p>11 connection with third-party agreements it</p> <p>12 entered into for the partnerships."</p> <p>13 Q. Then what's the very next thing in</p> <p>14 the parentheses say?</p> <p>15 A. "See Exhibit A."</p> <p>16 Q. So when we go to Exhibit A, we find</p> <p>17 an independent auditor's report; is that correct?</p> <p>18 A. Exhibit A and Exhibit -- that's G.</p> <p>19 MR. HAYWOODE: (Indicating.)</p> <p>20 A. Yeah.</p> <p>21 Q. Where in the defendants' -- in the</p> <p>22 independent auditor's report in Exhibit A does it</p> <p>23 state that they found false, misleading</p> <p>24 information by not reporting amounts paid to the</p> <p>25 partnerships in connection with the --</p>

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<p style="text-align: right;">190</p> <p>1 John Edmonds</p> <p>2 A. The answer to that is paragraph 2.</p> <p>3 "We were unable to complete the audits because</p> <p>4 the company's management refused to provide</p> <p>5 documentation and/or explanation to substantiate</p> <p>6 items in the general ledger, some of which</p> <p>7 include several journal entries recorded in</p> <p>8 general ledgers of all four companies, the</p> <p>9 original document to support the notes payable to</p> <p>10 Seavey or Lakeview, support for the balances</p> <p>11 recorded in Lakeview money market and investment</p> <p>12 accounts, among many others."</p> <p>13 Q. And you --</p> <p>14 A. "Because we were unable to obtain</p> <p>15 substantiation for several items recorded in the</p> <p>16 general ledger and we were unable to apply</p> <p>17 alternative auditing procedures to the items</p> <p>18 listed and the others mentioned as discussed in</p> <p>19 the preceding paragraph, the scope of our work</p> <p>20 was not sufficient to enable us to express and we</p> <p>21 do not express an opinion as to the financial</p> <p>22 statements referred to in the first paragraph."</p> <p>23 Q. And you understand those two</p> <p>24 paragraphs to mean that there was false,</p> <p>25 misleading information in the monthly financial</p>	<p style="text-align: right;">192</p> <p>1 John Edmonds</p> <p>2 that -- that the auditors got from Dawley.</p> <p>3 Q. Did the auditors tell you that</p> <p>4 Dawley was able to provide them with a general</p> <p>5 balance -- with a general ledger?</p> <p>6 A. I don't recall.</p> <p>7 Q. Do you know the --</p> <p>8 A. I only know that -- that they</p> <p>9 informed me that Dawley's position was if -- if</p> <p>10 they were looking for these trial balances,</p> <p>11 et cetera, that they would have to go to the</p> <p>12 accountants.</p> <p>13 Q. That's your understanding of what</p> <p>14 Mr. Dawley told them?</p> <p>15 A. Yes.</p> <p>16 Q. In paragraph 55, you state that "The</p> <p>17 defendants have breached their management</p> <p>18 agreements and by refusing to maintain proper</p> <p>19 computer systems, they're in violation of the</p> <p>20 federal and state regulations which provide</p> <p>21 substantial subsidies to the partnerships'</p> <p>22 housing developments which govern their</p> <p>23 management and operations."</p> <p>24 Which federal and state regulations</p> <p>25 are you referring to, Mr. Edmonds?</p>
<p style="text-align: right;">191</p> <p>1 John Edmonds</p> <p>2 package because they didn't report amounts to</p> <p>3 partnerships in connection with the third-party</p> <p>4 agreements that it entered into for the</p> <p>5 partnerships?</p> <p>6 A. Yes. Because I believe that he has</p> <p>7 the prime responsibility for reporting any</p> <p>8 amounts of monies generated by the partnerships</p> <p>9 and that those monies should go into the</p> <p>10 partnerships, not into the Seaveys' pockets.</p> <p>11 Q. You state here in paragraph 54 on</p> <p>12 page 13 that "Defendant Dawley informed</p> <p>13 plaintiff's auditors that Dalton was unable to</p> <p>14 produce this basic and standard information</p> <p>15 necessary for the audit because defendant</p> <p>16 Dalton's software was incapable of producing the</p> <p>17 required 'trial balances'" -- that term's in</p> <p>18 quote -- "from entries made in their general</p> <p>19 ledgers which recorded the daily expenditures for</p> <p>20 the management and operation of the partnerships'</p> <p>21 housing developments."</p> <p>22 Who told you that Mr. Dawley stated</p> <p>23 the software is incapable of producing trial</p> <p>24 balances?</p> <p>25 A. Obviously this is information</p>	<p style="text-align: right;">193</p> <p>1 John Edmonds</p> <p>2 A. I'm sure that they're both federal</p> <p>3 and state regulations related to the management</p> <p>4 of these parcels that requires the management to</p> <p>5 maintain a proper computer system for the</p> <p>6 management of the partnerships' financial</p> <p>7 information. And either the Seaveys don't have</p> <p>8 it or either they refuse to use it.</p> <p>9 I understand that what they do,</p> <p>10 according to Dawley, is that they -- that the</p> <p>11 expenditures are made and that the checks for the</p> <p>12 expenditures are attached, and that it is then</p> <p>13 turned over to their accountants for their</p> <p>14 accountants to convert from -- whatever the</p> <p>15 system -- convert it from -- from the way in way</p> <p>16 in which they keep their books to another form.</p> <p>17 And I just can't think of it right</p> <p>18 now.</p> <p>19 Q. Have you seen any specific federal</p> <p>20 and state regulations that --</p> <p>21 A. No, I have not.</p> <p>22 Q. If you turn to page 16 of your</p> <p>23 affidavit, you state that "The auditors found</p> <p>24 that defendant Dalton had entered into several</p> <p>25 contracts in excess of \$10,000 supposedly in</p>

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<p style="text-align: right;">194</p> <p>1 John Edmonds</p> <p>2 connection with the maintenance and repair for</p> <p>3 the various housing developments of the</p> <p>4 partnership," and then you cite to Exhibit I.</p> <p>5 If you turn to Exhibit I --</p> <p>6 A. Where's that?</p> <p>7 Q. Under -- close to the back. And you</p> <p>8 have a tab that says, "Exhibit I."</p> <p>9 What is your understanding of what</p> <p>10 is Exhibit I?</p> <p>11 A. Let me see.</p> <p>12 (Witness peruses the exhibit.)</p> <p>13 A. As far as I can determine, these are</p> <p>14 a listing of the checks that would have gone out</p> <p>15 to various outfits who perform, according to</p> <p>16 this, repair contracts, payroll, and that kind of</p> <p>17 thing.</p> <p>18 Q. Is it your contention that each one</p> <p>19 of these items is a violation of the management</p> <p>20 agreement?</p> <p>21 A. My contention is that these items</p> <p>22 reflect a process by which the Seaveys are able</p> <p>23 to use the partnership monies as they see fit.</p> <p>24 And I would suggest that perhaps the partnerships</p> <p>25 are paying perhaps expenses for his other</p>	<p style="text-align: right;">196</p> <p>1 John Edmonds</p> <p>2 will determine whether or not these companies</p> <p>3 should be contacted in connection with our</p> <p>4 lawsuit.</p> <p>5 Q. So is it my understanding then,</p> <p>6 without any documentary proof and without even</p> <p>7 contacting these vendors, that you attached this</p> <p>8 as an exhibit to a federal complaint and a</p> <p>9 federal affidavit testifying --</p> <p>10 A. For me a court is a court. Okay.</p> <p>11 And I attached those because these are documents</p> <p>12 that the accountants have been able to get and</p> <p>13 they indicate what Seavey says are expenses of</p> <p>14 Dalton Management related to the operation of the</p> <p>15 projects.</p> <p>16 Q. Can you point to me in your</p> <p>17 paragraph 35 where you state that the information</p> <p>18 made is upon information and belief and not your</p> <p>19 firsthand --</p> <p>20 A. I don't -- I do not use the language</p> <p>21 "information and belief." I set forth in</p> <p>22 unequivocal terms what I understand that's going</p> <p>23 on here.</p> <p>24 Q. And again, your understanding is not</p> <p>25 based on documentary evidence and not based on</p>
<p style="text-align: right;">195</p> <p>1 John Edmonds</p> <p>2 interests, the other partnerships that he may</p> <p>3 own.</p> <p>4 Q. So is it your contention that even</p> <p>5 though each one of these is listed under Church</p> <p>6 Homes Associates, that you believe some of these</p> <p>7 may have been related to work at a different</p> <p>8 entity?</p> <p>9 A. That's correct. Maybe related to an</p> <p>10 entity that is wholly unrelated to these</p> <p>11 partnerships.</p> <p>12 Q. And what document have you seen that</p> <p>13 gives you that belief?</p> <p>14 A. Just looking at this document that</p> <p>15 spells out, you know, what the repairs were and</p> <p>16 so forth and so on. I don't know that all of</p> <p>17 these are repairs that were made at any of the</p> <p>18 partnerships' properties.</p> <p>19 Q. Have you or your auditors undertaken</p> <p>20 to contact any of these vendors to ask them for</p> <p>21 proof about these repairs?</p> <p>22 A. I don't think that they've</p> <p>23 undertaken that. They're trying to complete the</p> <p>24 examination of the books and records of Dalton</p> <p>25 Management. And I guess at some point my counsel</p>	<p style="text-align: right;">197</p> <p>1 John Edmonds</p> <p>2 contacting these vendors, but just your belief?</p> <p>3 A. No, based upon information that I've</p> <p>4 gleaned from my auditors as they go through the</p> <p>5 books and records.</p> <p>6 Q. What did your auditors glean then to</p> <p>7 show them that your understanding is --</p> <p>8 A. I do not know. I'm not an</p> <p>9 accountant. I don't know. I only know what my</p> <p>10 oral discussions have been with them and what</p> <p>11 their reports are to date.</p> <p>12 Q. Have they orally reported to you</p> <p>13 that they found proof that not all of these</p> <p>14 vendors supplied work for Church Homes</p> <p>15 Associates?</p> <p>16 A. They have indicated to me that it is</p> <p>17 likely that the fact that all of these vendors</p> <p>18 may not be doing work on behalf of the</p> <p>19 partnerships. They may be doing work for the</p> <p>20 Seaveys' other interests.</p> <p>21 Q. And your auditors determined that</p> <p>22 based upon a review of the books and records that</p> <p>23 they've received so far?</p> <p>24 MR. HAYWOODE: Objection.</p> <p>25 I object to the suggestion in this</p>

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